



SUSTAINED
EFFORTS TOWARDS
A BRAVE NEW
WORLD

ANNUAL REPORT

2011 - 2012



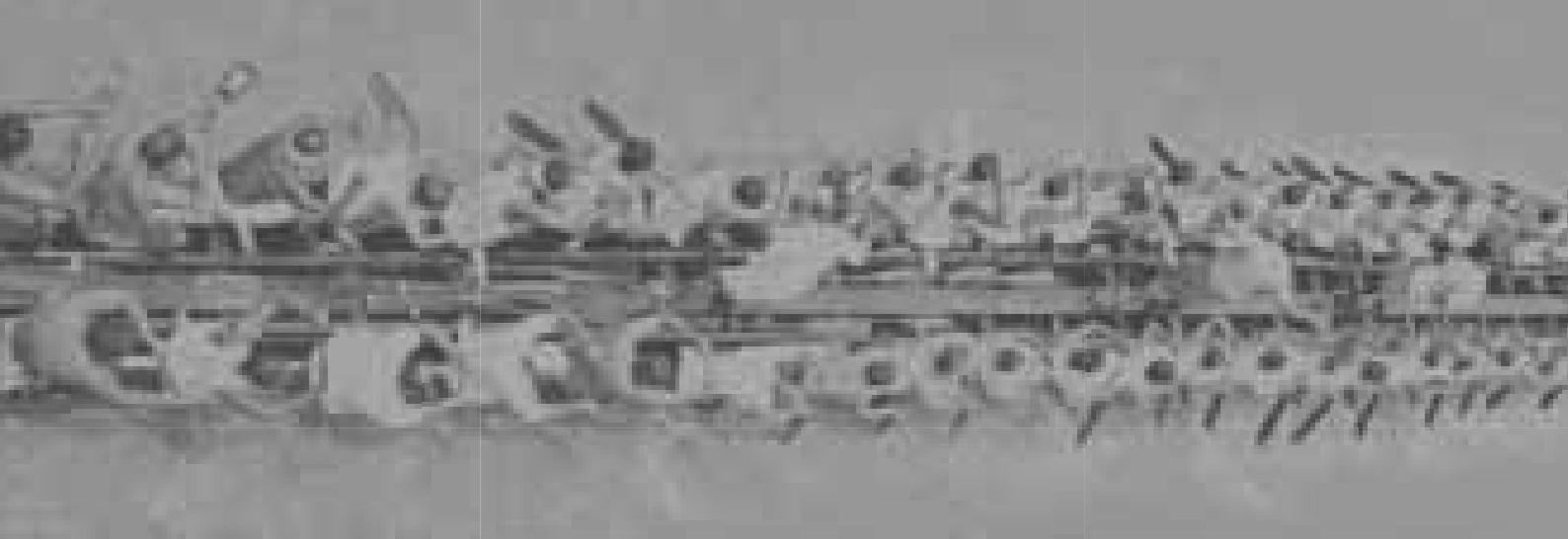
GODFREY PHILLIPS
—INDIA LIMITED—

EVERY STEP COUNTS WHEN THE GOAL IS HIGH

In 1990, we planted the seed of bravery with a single award. Today, the seed has blossomed into an inspiration for many.

Godfrey Phillips Bravery has awarded over 1200 people while Amodini, our initiative to empower women has provided employment to as many as 20,000 women.

As we get ready to move into another year, we reaffirm our commitment to our stakeholders, employees, and customers that in our journey of a thousand miles we'll make every step count.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. R. A. Shah	Chairman
Mr. K. K. Modi	President
Mr. R. Ramamurthy	Whole-time Director
Mr. Samir Kumar Modi	Executive Director
Mr. Lalit Kumar Modi	
Mr. Lalit Bhasin	
Mr. Anup N. Kothari	
Mr. C. M. Maniar	
Mr. O.P. Vaish	

COMPANY SECRETARY

Mr. Sanjay Gupta

REGISTERED OFFICE

Chakala, Andheri [East], Mumbai – 400 099

CORPORATE OFFICE

49, Community Centre, Friends Colony, New Delhi – 110 025

OTHER OFFICES

Ahmedabad, Baramati, Chandigarh, Chennai, Ghaziabad, Hyderabad, Kolkata, Mumbai, Rabale, New Delhi

LEAF DIVISION

Guntur [Andhra Pradesh]

STATUTORY AUDITORS

A.F. Ferguson & Co. – Chartered Accountants

COST AUDITORS

Chandra Wadhwa & Co. – Cost Accountants

INTERNAL AUDITORS

Lodha & Co. – Chartered Accountants

REGISTRARS AND TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd. 13 AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane, Off Andheri [East], Mumbai – 400 072

SOLICITORS

Crawford Bayley & Co.

BANKERS

- State Bank of India • Bank of Baroda • Bank of India • Citibank N.A • State Bank of Hyderabad
- State Bank of Travancore • The Hongkong and Shanghai Banking Corporation • Union Bank of India



R. A. SHAH

Chairman's Message

Dear Shareholder,

Today our socio-economic environment is full of many challenges and pressures. While the global economy is yet not on the path of high growth, India's economic environment is no better than last year. GDP growth rate has fallen to 6.5% from 8.5% last year. Industrial growth is not attractive and containing inflation is a challenge. Burgeoning current account and fiscal deficit, exchange rate volatility, rising commodity prices and higher interest rates pose yet another set of economic woes. Yet we cannot do nothing about it and let these forces subdue our vision and hopes. As a country, we have the best of the systems and intellectual capital, sufficient resilience to come back strongly on path of growth. What is needed is a set of policy initiatives and tax reforms to boost the investment sentiment which will facilitate capital inflows.

Irrespective of the nature and magnitude of challenge, your Company is fully committed to continue offering the best of the products to its existing and new consumers. Every member of your Company is spirited to achieve this. Our quest for innovation is stronger than before, and so is the set of our skills and capabilities.

Recent regulations brought in around the world point to an effort by various countries to discourage and reduce the consumption of tobacco. Increase in tax rates on cigarettes is being used around the world to reduce smoking incidence and intensity. Indian cigarettes industry has also faced increase in excise duties along with creation of a new segment which may impact the industry in long run. Increase in VAT rates and ban on chewing tobacco in some states is likely to impact consumption behavior. Your Company is taking good measures to achieve its growth objectives under the new regime.

Your Company is dedicated towards having a strong position in tobacco segment through proactive approach, innovation, collaboration and best-in-class systems and people. Our organizational and business capabilities will continue to get further accentuated, helping us to deliver more and better than others. Senior leadership team of your Company is highly oriented towards well-being of your Company, as well as of the society and the world we live in. I take this opportunity to thank them for their active engagement, continued commitment and enthusiastic co-operation. Your Company is well recognized by the country as a responsible corporate citizen, and I thank you for your support towards all such initiatives your Company takes up.

Warm regards,

R. A. Shah



K. K. MODI

President's Message

Dear Shareholder,

It is a privilege for me to once again share with you the performance of your Company this year. During the year, we achieved a growth of 9.5% over the last year, our gross revenue reaching Rs. 3349 crore with profit before tax at an all-time high of Rs. 257 crore. It is worth mentioning that every member of your Company made all efforts with rigor and zeal to achieve this growth despite a very tough economic environment within India and abroad. The Board of Directors have recommended a dividend of Rs. 40 per share for the financial year 2011-12.

Year 2011-12 was a very distinct year for your Company. The main theme for the year revolved around 3 aspects namely Chewing, Capability and Capacity.

Pan Vilas was one of the biggest stories of 2011-12. This brand has grown from being a small brand in the big pan masala market to a formidable 120 crore plus brand during the year. Our campaigns and the new packaging have been appreciated well in the market and we are enjoying a decent market share in the premium pan masala category in many key states. We are now taking rapid strides in strengthening distribution of Pan Vilas and to develop other products in the chewing tobacco category.

This year has been special also from the point of view of building organization capabilities. Strong endeavours are underway to develop a strong innovation pipeline, which can develop new and innovative products in line with changing regulatory and business environment. It has constantly been our attempt to introduce to our valued customers new and innovative products like slims, kings and innovative filters. Managing multiple products within our distribution channel has been another area of capability development underway in your Company. We are in the process of strengthening our network especially in the rural areas which are gaining traction with increased economic development of our country.

New capacities have been developed in 2011-12. Our new world-class plant at Navi Mumbai will give us a strong footing in manufacturing cigarettes with quality levels even better than many of the global players. New production facility for chewing products is under development at Ghaziabad in North India which will go online soon.

Going forward we will be looking at new ways of delighting the customer and creating value for all our partners. Our corporate social responsibility program is also running successfully with various programs under Godfrey Phillips Bravery and Amodini initiatives. We are proud to have a team of dedicated people who are committed to working towards the progress of the Company.

As I close my message, I would like to thank all the shareholders for reposing trust in management and our Board of Directors for their constant support and guidance. I assure you of our unflinching commitment in moving towards higher performance levels in the years to come.

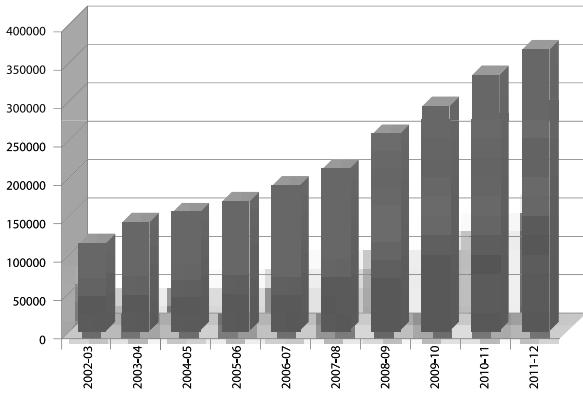
Kind regards,

K.K. Modi

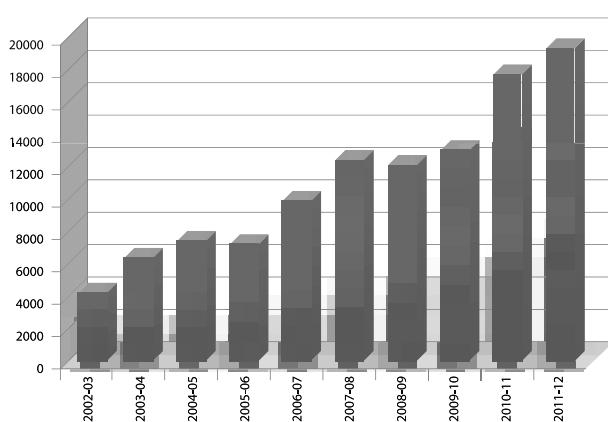
FINANCIAL HIGHLIGHTS

TRENDS

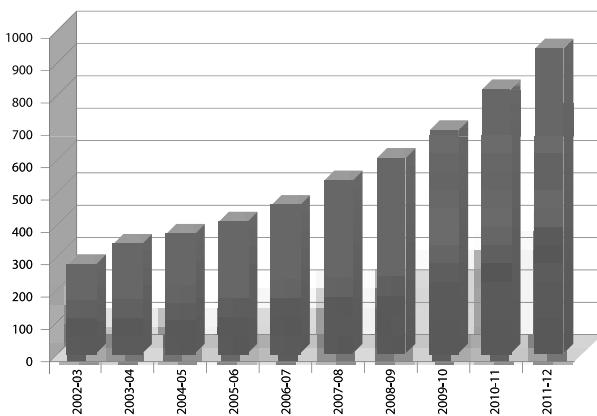
Gross Revenue (Rs. in Lacs)



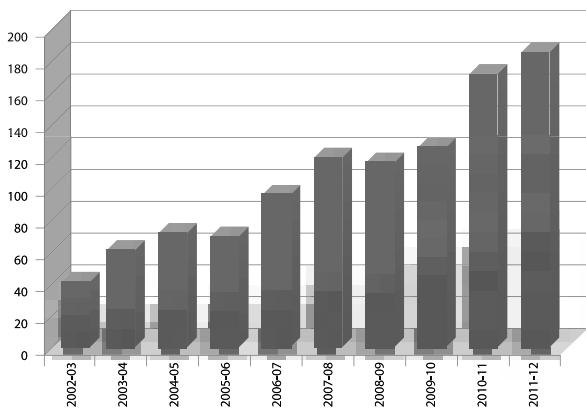
PAT (Rs. in Lacs)



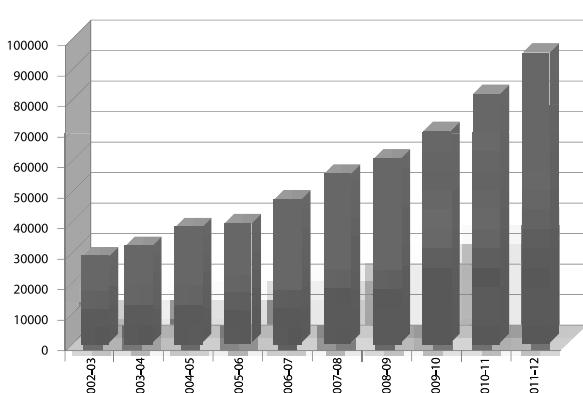
Book Value per Equity Share (in Rs.)



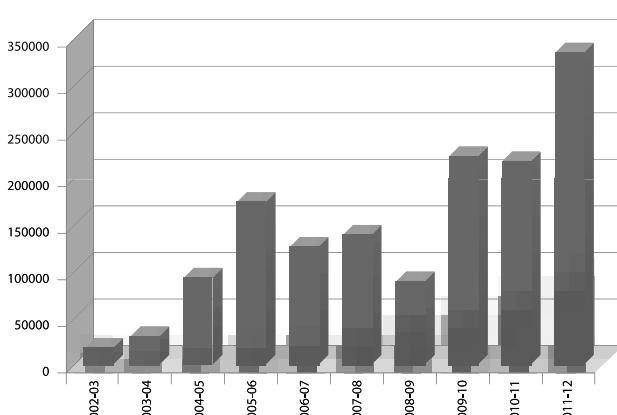
EPS (in Rs.)



Shareholders' Fund (Rs. in Lacs)

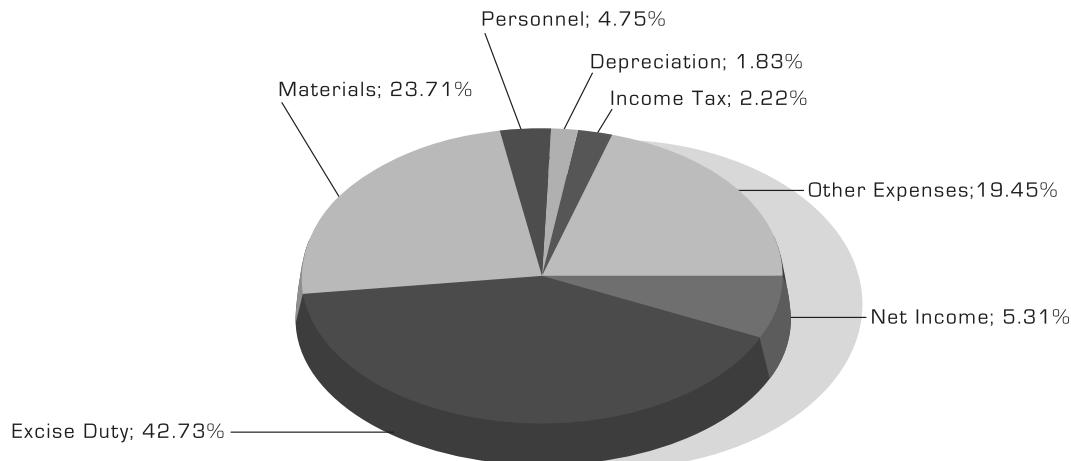


Market Capitalisation (Rs. in Lacs)



FINANCIAL HIGHLIGHTS

REVENUE DISTRIBUTION



10 YEAR HIGHLIGHTS

Rs. in lacs

PARTICULARS	2011-2012	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
CAPITAL EMPLOYED										
Net Fixed Assets	67443	47387	31896	25980	15337	12655	12984	12920	8732	7413
Investments	35833	32314	19485	20986	32957	24627	21100	19916	14473	15636
Working Capital	21016	21797	26823	20172	12205	10962	9809	4513	6575	5429
Deferred Tax Assets (Net)	752	79	-	236	-	-	-	1576	1239	797
Total	125044	101577	78204	67374	60499	48244	43893	38925	31019	29275
FINANCED BY										
Shareholders Funds	92091	79025	66652	57845	49996	41815	36046	32701	28950	25966
Borrowings	32953	22552	11455	9529	10338	6073	7439	6224	2069	3309
Deferred Tax Liabilities (Net)	-	-	97	-	165	356	408	-	-	-
Total	125044	101577	78204	67374	60499	48244	43893	38925	31019	29275
OPERATING PERFORMANCE										
Gross Revenue	341858	310838	267292	232445	187634	163277	145712	132538	120219	109639
Excise Duty	146058	146768	121386	115636	94040	82423	76176	61021	55769	52085
Depreciation	6263	4000	3391	2803	1977	1907	1837	1655	995	913
Profit Before Taxation	25723	24147	16740	16591	16974	13523	9969	9995	7649	5690
Profit After Taxation	18136	16603	11839	10890	11222	8810	6013	6360	5218	3791
Dividend	4159	3640	2600	2600	2600	2600	2340	2288	1976	1768
Corporate Dividend Tax	675	590	432	442	442	442	328	321	258	227
Retained Earnings	13302	12373	8807	7848	8180	5768	3345	3751	2984	1796
INVESTORS' DATA										
Earning Per Equity Share (Rs.)	174.41	159.67	113.84	104.73	107.92	84.73	57.82	61.16	50.18	36.45
Dividend Per Equity Share (Rs.)	40.00	35.00	25.00	25.00	25.00	25.00	22.50	22.00	19.00	17.00
Book Value Per Equity Share (Rs.) @	885.59	757.67	638.69	553.99	478.52	399.84	344.37	312.20	276.12	247.43
Number of Shareholders	11125	11242	11364	12350	12824	12740	11261	11719	12539	13068

@ Excluding Revaluation Reserve

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors deem it a privilege to present the Annual Report and Accounts for the year ending March 31, 2012.

GENERAL ECONOMIC ENVIRONMENT

As the FY 2011-12 started for all of us, global economy was recovering from political unrest in different parts of the world, and economic slowdown in the U.S. and Europe. The global economic environment has been tenuous through the year, particularly turning adverse post-September 2011, against the Euro-zone crisis, downgrades of sovereign credit rating of euro-zone and other advanced countries (including the U.S.), followed by political unrests, currency wars and the more recent oil crisis.

One clear and comforting sign was a relatively better performance by Indian Economy. Government of India also indicated that despite some weakness in the economy, the outlook was rather positive for the coming years, with economic activity having 'bottomed out' and 'a gradual upswing being imminent'. However, it was clear that managing growth and having price stability were going to be prime challenges for the Government. While agriculture and services sector provided support to overall growth, weakening industrial activity had pulled down economic performance resulting in India's real GDP growth decelerating sharply from 8.5% in 2010-11 to 6.5% in 2011-12. The real GDP declined to 5.3% in Q4 of FY 2011-12 as compared with 9.2% in the corresponding period last year. The Q4 GDP data validates that the growth trajectory is weaker than expected.

Exports from India have faced challenges on logistics and movements due to geopolitical disturbances. Infrastructure and public services need more impetus. Rising fuel costs have burdened the common man and industry. Yet, it is hoped Indian economy will rebound once more and achieve good, sustained and inclusive growth.

TOBACCO INDUSTRY

During 2011-12, Indian cigarette market has shown a growth of around 5% in volume and 11% in value over the previous year. Growth is largely seen in premium & economy segments. However, due to glut in the international market, Indian leaf tobacco exports were lower as compared to last year and the situation continues to be the same. Also, the industry continues to face the menace from non-duty paid cigarettes available across markets in India.

Regulatory Environment

Global regime continued to get stricter on tobacco during the year. UN bodies like WHO have been making strong efforts to ban or restrict use of specific ingredients, flavor and additives in manufacture of tobacco products, as well as to reduce acreage under tobacco cultivation. Different countries have looked at increased taxation, restriction on display, anti-smoking proposals etc. to discourage smoking. Australia and New Zealand are focusing on plain packaging in order to make the packs less enticing for people. U.K. has banned display of tobacco products at retail outlets.

India is also witnessing various anti-tobacco initiatives by various authorities and agencies with the new graphic health warnings coming into effect from 1st December, 2011. We respect such initiatives and shall abide by them as a responsible corporate citizen.

DIRECTORS' REPORT



Taxation

The trend to increase Value Added Tax (VAT) rates at State level continued during the FY 2011-12 with more and more States resorting to tax tobacco products to bridge the revenue shortfall. And as an impact of that, VAT rates in India on cigarettes now vary from 12.5% to 50%. We are hopeful that unified VAT or GST regime in course of time will help the industry, trade and consumers by bringing rationality and clarity.

SEGMENTWISE PERFORMANCE IN 2011-2012

Cigarettes

The Industry is under pressure on account of rising excise duty coupled with increase in VAT rates by various State Governments. Despite this, your Company has registered a marginal increase of 0.7% in the domestic sales volume with the value being higher at Rs. 2776 crore as compared to Rs. 2627 crore in the previous year reflecting an increase of 5.7%. Various steps are underway to strengthen parent brands namely Four Square, Red & White and Cavanders. The current distribution system is also being leveraged to handle multiple product categories now being offered by the Company.

Tea

Although the domestic tea business showed a marginal decline with the sales value during the year placed at Rs. 95 crore as against Rs. 97 crore during the preceding year, yet the margins were slightly better as compared to last year. Your Company is making all out efforts to achieve improved performance in this segment of the business and has taken various new initiatives to broad-base the distribution which include introduction of Super Cup tea bags to make inroads into the HORECA segment and coverage of HTS (Hot Tea Shops) channel in Chennai. Your Company has gained formal entry into Railways also which is the biggest institutional business of the country. Tea blending and packing units at Kolkata and Bazpur have been automated and modernised to help in maintaining current loyal customer base and attract new international customers. Super Cup franchise is being relaunched with rejuvenated packaging and a premium product option.

Exports

The following table shows the status of exports for different products during the year under report:

Commodity / Product	2011 - 12 Value (Rs. in crore)	2010 - 11 Value (Rs. in crore)
Cigarette	107.63	120.68
Unmanufactured tobacco	131.28	104.42
Cut tobacco	61.27	42.86
Tea	18.36	16.11

While cigarette exports in terms of value were lower by 11%, the cut tobacco exports increased by 43% over the previous year. Unmanufactured tobacco exports also grew by 26% during the year. Various initiatives to improve the unmanufactured tobacco exports are resulting into substantial new export orders and spurt in new businesses in South East Asia and other key global markets. With a view to give further impetus to the export performance of the Company, your Company is also looking forward to setting up offices in key overseas locations in next two years.



GODFREY PHILLIPS
INDIA LIMITED

DIRECTORS' REPORT

During the year, the Company has developed new markets and added many international buyers to our existing portfolio for tea. Tea exports grew to 1508 tons over last year's 1222 tons, in terms of volume. Export of private labels for Packet Tea and Tea Bags in Kazakhstan was initiated under the brand name "Bimker". Your Company got renewal of ISO 22000 Space & HACCP Certification to value add and meet minimal International Tea Export standards apart from receiving "Good Manufacturing Practices" certification from the Iran Health Ministry.

Chewing Products

Your Company had a challenging year for its Chewing Business. The industry needed to shift from plastic packaging to paper based packaging format and where the competition was scrambling for options, your Company introduced the first successful commercial paper package that held ground even during the monsoons. The impetus helped the Company's pan masala brand "Pan Vilas" close the year at a turnover of Rs. 121 crore against Rs. 24 crore in the last fiscal. Your Company captured roughly 12% share of the market and became leaders in the small pack segment in some markets/states. During the year, the Company also opened the West Bengal and the Punjab markets and currently it is operating in 10 states in India. Your Company also ventured in the difficult zarda segment with the brand "Swarn Vilas". The Company plans to continue the momentum and grow further by venturing into new markets and categories and by leveraging and further building upon technology and back-end infrastructure to support the engines of growth.

Retail

Company's foray into retail business through Twenty Four Seven convenience stores is making steady progress. The Company is currently operating through 11 own stores spread across Delhi and expects to more than double this number during the current year.

TREASURY OPERATIONS

Your Company continues to enjoy the highest rating of 'CRISIL A1+' for Short-Term Debt Programme, 'CRISIL AA+/Stable' for Long Term Loan, 'CRISIL AA+/Stable' for Cash Credit Limit and 'CRISIL A1+' for Non-fund based limits. With these ratings in place, your Company is able to raise funds at most competitive and attractive terms.

Guided by the policy of safe, liquid and tax efficient returns, the Company has been deploying its long term surplus funds primarily in debt oriented schemes of reputed mutual funds mainly consisting of Fixed Maturity Plans (FMPs). Out of the total investment of Rs. 358 crore as at March 31, 2012, investments of Rs. 303 crore stood in debt segment of various mutual funds with major chunk being into highly safe FMPs which are yielding decent tax efficient returns. The Company also continued to park its temporary surpluses in liquid schemes of various mutual funds.

FIXED DEPOSITS

At the end of the financial year, the balance on account of Fixed Deposits accepted from the Public and Members stood at Rs. Nil. Presently the Company is not accepting fresh deposits as it no longer deems it economical to raise money through this mode of finance.

DIRECTORS' REPORT



FINANCIAL PERFORMANCE

FINANCIAL RESULTS	2011-12 Rs. in lacs	2010-11 Rs. in lacs
Gross Profit	31986.62	28147.66
Less : Depreciation	6263.13	4000.29
Profit before taxation	25723.49	24147.37
Less : Provision for taxation		
- current tax	8260.64	7720.00
- deferred tax	(673.42)	(175.98)
- fringe benefit tax	-	-
Profit after tax for the year	18136.27	16603.35
Profit brought forward	57988.33	47614.98
Available for appropriation	76124.60	64218.33
Appropriations		
Proposed Dividend	4159.51	3639.57
Corporate Dividend Tax	674.78	590.43
Transfer to General Reserve	2200.00	2000.00
Surplus carried to Balance Sheet	69090.31	57988.33
	76124.60	64218.33

The overall sales turnover was higher at Rs. 3349 crore as against Rs. 3057 crore in the previous year, registering an impressive growth of around 9.5%. After providing for tax, the net profit of the Company stood at Rs. 181.36 crore as against Rs. 166.03 crore in the previous year.

The Union Budget 2012 has increased the excise duty on cigarette by around 22%, which has been followed up by some State Governments hiking VAT rates significantly. The continuous increase in taxation on cigarette over the last several years has been adversely affecting the margins and therefore, impacting profitability.

DIVIDEND

Keeping in view the Company's overall performance for the year under report the Board of Directors of the Company is pleased to recommend a dividend of Rs. 40 per share.

INTERNAL CONTROL SYSTEMS

Your Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business, which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and disposition.

The internal control system is supplemented by well documented policies, guidelines and procedures, an extensive programme of internal audit by a firm of chartered accountants and management reviews.



GODFREY PHILLIPS
INDIA LIMITED

DIRECTORS' REPORT

HUMAN RESOURCE DEVELOPMENT

Your Company believes that its employees are its partner in progress and ensures that they are treated well. To pursue this belief, your Company conducted an Employee Engagement Survey to seek opinions of its managerial level employees about their work-life issues and concerns at work. Further, a root cause analysis was done and issues/concerns are being addressed. Your Company also believes that long term growth and productivity is possible by investing in robust and right kind of long lasting people systems. To develop the internal functional capabilities, your Company has initiated the process of upgrading its existing Human Resource Information System (HRIS) which acts as an enabling gateway for servicing employee needs. In continuation of efforts by your Company to equip the sales force in persistently handling multiple products and to manage change with their stakeholders, various interventions were conducted on Multiple Product Handling and its related Change Management. Your Company is proactively investing in developing future talent pipeline. The ongoing initiative of Targeted People Development has put in place a detailed process of development planning and grooming for potential employees.

CORPORATE DEVELOPMENT

Your Company has continued to add to its advantage the strong corporate governance mechanism and processes for making new product offers, launching new products, developing business strategy and implementation thereof through effective engagement of Corporate Development division. The division provided regular support and inputs to all the business teams on industry dynamics, regulatory aspects and other components of business environment to help them to draw plans with 3-5 years' perspective. Detailed planning, appropriate methodology, support in execution and monitoring has helped each of the existing and new businesses add further to our market reach and in achieving better results. Automated Management Dashboards and Business Intelligence Tools have continued to provide seamless view to senior leadership on all critical performance parameters for timely action. The two ongoing corporate initiatives focusing on product offer development and multi-product distribution have progressed well during the year with initial pilots and outputs giving good results. All such efforts and forthcoming drives and rigor are expected to have long term positive impact on businesses of your Company.

INFORMATION TECHNOLOGY

Your Company continues to invest in Information Technology to improve operational efficiencies and enhance productivity. As a part of process improvement and improved control, your Company is currently implementing ERP system for its production facilities and sales establishments. This will make the complete supply chain ERP enabled for the Company. Also, Product Life Cycle Management System called AGILE is being implemented for R&D. During the year, your Company also consolidated its core IT infrastructure using new generation servers leading to significant reduction in energy and space requirements.

CORPORATE SOCIAL RESPONSIBILITY

Exhibiting commitment to recognizing common citizens for their acts of courage, Godfrey Phillips Bravery today has inspired millions with the message of hope, compassion and selflessness. To mark the completion of 20 years, nationwide campaign was launched on print, electronic, outdoor and social media to honor the occasion. The Be-Brave campaign on social media touched an impressive 5.5 lacs member participation within a year.

Along with Godfrey Phillips Bravery, Amodini, the women's empowerment initiative also has grown progressively. Since inception in 2007, over 23000 women have been benefitted by Amodini. Your Company works with renowned non-profit associates to help women beneficiaries become financially independent with various training and development programs. Amodini continues its commitment to women empowerment by using hand made products by women for all occasion gifting that has been highly appreciated.

DIRECTORS' REPORT



Your Company also exhibited its commitment towards minimizing the impact of our business on the environment. It continues to lay emphasis on policies that encourage environment management and employees are also recognized for initiatives that take this commitment forward. The Company won prestigious Greentech Gold Award for Environment Management for its consistent efforts towards it.

CONSERVATION OF ENERGY

Several energy saving measures were taken during the year, details of which are given below:

1. Replaced CMD cooling tower at Andheri factory with the new one having flat belt and energy efficient motor, resulting in saving of 92,400 units per annum.
2. Constructed insulated roof with sky-lights at Rabale factory to reduce need for lighting energy.
3. Used low density concrete blocks with fly ash for the walls at Rabale factory for achieving better insulation properties.
4. Installed latest energy efficient HVAC systems for the shop floors and offices at Rabale factory.
5. Replaced 2 nos. CRT based OPC (Operator Panel) with LCD, resulting in lower energy consumption.
6. Installed new transformer at Andheri factory power house having lower no-load losses, resulting in saving of 7,000 Units per annum.

TECHNOLOGICAL ABSORPTION, ADOPTION AND INNOVATION

1. Table-top cigarette maker introduced in R&D for cigarette development purpose.
2. Flavor injection system 'Cjector' introduced in R&D for cigarette development purpose.
3. Installed print registration unit for inner frame on cigarette packing machines to support pack communication and enhance brand recall.
4. Made hard link-up of high speed cigarette makers and packers to improve the productivity and product quality.
5. Oil / PTFE free air compressors introduced for improved product quality.

RESEARCH & DEVELOPMENT

New Product Development

1. Commissioned a plant to make reconstituted tobacco (RECON) in order to improve blend quality and optimize blend cost.
2. Carried out development work for some differentiated products in cigarette category for creating new consumer base for gaining domestic market share.
3. Developed some new tobacco blends and enhanced current blends in order to cater to varied consumer/buyer base.
4. Developed more value added and differentiated products in Bidi and Chewing categories.
5. Initiated developmental work in Mouth Freshener category.



GODFREY PHILLIPS
INDIA LIMITED

DIRECTORS' REPORT

Benefits derived as a result of this Development

1. Improved premium brands in which the Company currently has marginal presence in the domestic cigarette markets.
2. Enhanced existing tobacco blends in order to improve the smoke characteristics.
3. Enhanced capability to generate new ideas and create differentiated products for domestic as well as export markets.
4. Created a range of products for consumers and thus add potential to both top-line and bottom-line growth.
5. Increased number of variants of blends and cigarettes in the library for both domestic and export markets.

Future Plan of Action

1. Improve the efficiency in terms of creating differentiated and innovative products for the cigarette business, thereby maintain a healthy offer pipeline.
2. Continuous upgradation of analytical facility to meet future challenges.
3. Intensify work on development of new products using R&D pilot plants.
4. Create strong knowledge base for chewing products' ingredients.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings in foreign exchange during the year under report by way of exports and other income amounted to Rs. 319 crore (previous year Rs. 284 crore) as against the foreign exchange outgo on imports, dividends and other expenditure aggregating to Rs. 290 crore (previous year Rs. 132 crore).

DIRECTORS

Mr. C.M. Maniar, Mr. Lalit Bhasin and Mr. Anup N. Kothari, Directors, will retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment.

The terms of appointment of Mr. K.K. Modi as Managing Director and Mr. R. Ramamurthy as Whole-time Director will expire on 13th August, 2012. Your Directors have recommended their re-appointment for a further period of 3 years.

Brief resumes of the Directors offering themselves for re-appointment are furnished in the Corporate Governance Report and in the explanatory statement to the notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, the Directors confirm that:

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (ii) appropriate accounting policies have been selected and applied consistently and judgements and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

DIRECTORS' REPORT



(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Annual Accounts have been prepared on a going concern basis.

The above statements were noted by the Audit Committee at its meeting held on July 31, 2012.

CORPORATE GOVERNANCE

The Company is committed to maximise the value of its stakeholders by adopting the principles of good Corporate Governance in line with the provisions of law and in particular those stipulated in the Listing Agreement with the Stock Exchanges. Its objective and that of its management and employees is to manufacture and market the Company's products in a way so as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy in general.

Certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges, is enclosed.

Certificate from Mr. K.K. Modi, Managing Director as the Chief Executive Officer (CEO) and Mr. Sunil Agrawal, Vice President – Finance as the Chief Financial Officer (CFO) in relation to the financial statements for the year along with declaration by the CEO regarding compliance with the code of business conduct of the Company by the directors and the members of the senior management team of the Company during the year were submitted to and taken note of by the Board.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 - Consolidated Financial Statements, Group Accounts form part of this Report & Accounts. The Group Accounts have been prepared on the basis of audited financial statements received from the Subsidiary & Associate Companies, as approved by their respective Boards.

AUDITORS

A.F. Ferguson & Co., Chartered Accountants, the retiring auditors, have offered themselves for re-appointment as auditors for the Head Office as well as branch offices at Ahmedabad, Mumbai, Kolkata, Ghaziabad, Guntur, Hyderabad, Chennai, New Delhi, Chandigarh, Baramati and Rabale (Navi Mumbai).

COST AUDIT

Pursuant to the various circulars issued by the Ministry of Corporate Affairs, the Company is required to maintain cost records and get the same audited by a cost auditor in relation to some of the products manufactured by the Company. Accordingly, Chandra Wadhwa & Co., Cost Accountants, have been appointed as the cost auditors for the financial year 2012-13.

SUBSIDIARY COMPANIES

Ministry of Corporate Affairs, Government of India has, vide its General Circular No. 2 dated 8th February, 2011 granted a general exemption to companies under section 212(8) of the Companies Act, from attaching the documents referred to in section 212(1) pertaining to its subsidiaries subject to approval by the Board of Directors of the Company and furnishing certain financial information in the Annual Report.



GODFREY PHILLIPS
— INDIA LIMITED —

DIRECTORS' REPORT

Accordingly, the annual accounts of the subsidiaries will be made available upon request by any shareholder of the Company and its subsidiaries. The annual audited accounts of the subsidiaries will also be kept for inspection by any shareholder at the Company's Corporate Office as well as its Registered Office and at the offices of the respective subsidiaries during business hours. Further, as per the provisions of Section 212 of the Act, a statement of the Company's interest in its subsidiaries and a statement summarising financial performance parameters of subsidiary companies are included under notes to the consolidated financial statements and forms part of the Annual Report.

EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

The relations with the employees of the Company continue to be cordial and the Directors wish to record their appreciation of their dedicated services at all levels of operations in the Company.

THE FUTURE

Your Company continues to be the second largest cigarette manufacturing company in India. The focus of your Company will continue to remain in tobacco segment comprising of cigarette, bidi and chewing products. Your Directors look forward to the future with cautious optimism.

Respectfully submitted on behalf of the Board

New Delhi
Dated : July 31, 2012

**R.A. SHAH
CHAIRMAN**

REPORT ON CORPORATE GOVERNANCE

for the year ended March 31, 2012



The Directors present the Company's Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Good Corporate Governance procedures in operations naturally imply commitment to values, ethical business conduct, objectivity, self-regulation and accountability. These serve as a foundation to build, inspire and strengthen stakeholders' values in any organization.

The Corporate Governance initiatives of GPI are devised for achieving basic objective of wealth creation for the benefit of all its stakeholders i.e. shareholders, employees, business associates and the society at large. The Company believes in giving its executives ample freedom to operate and secure the Company's target by putting in their best efforts.

The Board of Directors is primarily responsible for protecting and enhancing shareholders' value besides fulfilling the Company's obligations towards other stakeholders. The role of the Board of Directors is to provide strategic superintendence over the Company's management. The day to day management of the Company is vested in the managerial personnel and sufficient authority is delegated at different operating levels. Delegation of authority in the operating people helps generation of creativity and innovation. This also helps in harnessing potential of employees to the best advantage of the Company.

The company is in compliance with the requirements stipulated under clause 49 of the Listing Agreements entered with the Stock Exchanges with regard to Corporate Governance.

2. BOARD OF DIRECTORS

i) Composition of the Board

The Board of Directors of the Company consists of executive and non-executive directors and more than half of the Board comprises of non-executive directors.

Currently, the total strength of the Board is 9 (nine) comprising of 3 (Three) executive directors and 6 (six) non-executive directors. The Chairman of the Board is a non-executive director and the minimum requirement of one-third of the Board consisting of independent directors is duly complied with.

The Board brings in expertise in the fields of business/law/finance. It provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

The non-executive directors of the Company, who are also independent, have already submitted their declarations affirming their status as independent directors as on March 31, 2012.



ii) Attendance at the Board Meetings and the last Annual General Meeting, directorships and memberships/chairmanships of Board Committees of other Companies

S. No.	Director	Category	No. of Board Meetings attended	Attendance at last AGM	Directorship/Chairmanship of Board of other Companies* as at March 31, 2012	Membership/Chairmanship of other Board Committees** as at March 31, 2012
1.	Mr. R.A. Shah DIN 00009851	Non-Executive & Independent	5	Yes	13 (includes 3 as Chairman and 1 as Vice-Chairman)	9 (includes 4 as Chairman)
2.	Mr. K.K. Modi DIN 00029407	Executive	5	Yes	11	2 (includes 1 as Chairman)
3.	Mr. R. Ramamurthy DIN 00030463	Executive	4	Yes	8	2
4.	Mr. Lalit Bhasin DIN 00001607	Non-Executive & Independent	5	Yes	9	6 (includes 1 as Chairman)
5.	Mr. Anup N. Kothari DIN 00294737	Non-Executive & Independent	5	Yes	2	None
6.	Mr. Lalit Kumar Modi® DIN 00029520	Non-Executive & Non-Independent	None	No	7	1 (as Chairman)
7.	Mr. C.M. Maniar DIN 00034121	Non-Executive & Independent	4	Yes	13	10 (includes 1 as Chairman)
8.	Mr. O.P. Vaish DIN 00001360	Non-Executive & Independent	5	Yes	6	3
9.	Mr. Samir Kumar Modi® DIN 00029554	Executive	4	Yes	8	1

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies.

** Represents memberships/chairmanships of only Audit and Shareholders/Investors Grievances Committees (excluding private companies and other Non-Corporate Entities).

® Sons of Mr. K. K. Modi.

iii) Board Meetings held during the year

During the year 2011-12, 5 (Five) Board Meetings were held viz. on May 29, 2011, July 30, 2011, September 20, 2011, November 4, 2011 and February 1, 2012. The necessary quorum was present for all the meetings.

In addition to the regular business items, other information as mentioned in Annexure 1A to clause 49 of the Listing Agreement with the Stock Exchanges, was placed before the Board.

iv) The details of pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company are given below:

S. No.	Name of the director	Amount involved (Rs. in lacs)	Nature of transaction
1	Mr. R.A. Shah & Mr. C.M. Maniar (Senior Partners of Crawford Bayley & Co.)	50.46	Payment for professional services to Crawford Bayley & Co., Solicitors & Advocates
2	Mr. Lalit Bhasin (Proprietor of Bhasin & Co.)	7.68	Payment for professional services to Bhasin & Co., Advocates
3	Mr. O.P. Vaish (Relatives of Mr. O.P. Vaish are partners in Vaish Associates)	19.11	Payment for professional services to Vaish Associates, Advocates

v) Brief resume, experience and other directorships/board committee memberships

As per the Articles of Association of the Company, one-third of the total strength of the Board (i.e. three directors at present i.e. Mr. C. M. Maniar, Mr. Lalit Bhasin & Mr. Anup N. Kothari) shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible shall be re-appointed subject to shareholders' approval.

1) Name of the Director	Mr. C. M. Maniar
Qualifications	B.Com., M.A. (Eco.& Politics) & LL.B. (Solicitor)
Professional Experience	<ul style="list-style-type: none"> - Presently a Senior Partner in Crawford Bayley & Co., Solicitors & Advocates, Mumbai. - Member of the Maharashtra Bar Council. - Specialises in Corporate and Commercial Laws with special reference to Company Law, Foreign Financial & Technical Collaborations, Anti Trust and Competition Laws, Foreign Exchange Laws, Consumer Protection Laws, Drugs & Cosmetics and Insecticides Laws, Intellectual and Industrial Property Laws. - Participated in and read papers on different subjects relating to the above laws at conferences and seminars organized by various institutions, such as Institute of Company Secretaries of India, Institute of Chartered Accountants of India, Bombay Chartered Accountants Society, Bombay Chamber of Commerce, etc.
Names of other companies in which he holds directorship of the Board and membership/ chairmanship of committees of the Board*	<ol style="list-style-type: none"> 1) Foods & Inns Ltd. 2) Financial Technologies India Ltd. 3) Gujrat Ambuja Exports Ltd. 4) Hindalco Industries Ltd. (also member of Audit Committee & Shareholders Grievance Committee) 5) Indo- Euro Investment Company Ltd. 6) Indian Card Clothing Company Ltd. 7) Multi Commodity of India Exchange Ltd. (also member of Shareholders Grievance Committee) 8) MCX Stock Exchange Ltd. (also member of Shareholders Grievance Committee) 9) Pioneer Investcorp Ltd. (also member of Audit Committee & Shareholders Grievance Committee) 10) Sudal Industries Ltd. 11) TCPL Packaging Ltd. (also member of Audit Committee & Shareholders Grievance Committee) 12) Utkal Alumina International Ltd. 13) Varun Shipping Company Ltd. (also member of Audit Committee & chairman of Shareholders Grievance Committee)



2) Name of the Director	Mr. Lalit Bhasin
Qualifications	B.A. (Hons.), LL.B., FCIArb
Professional Experience	<ul style="list-style-type: none"> - Is a distinguished lawyer with four decades of law practice. - Heads the Law Firm Bhasin & Co. having its offices at Delhi & Mumbai. • Chairman, Film Certification Appellate Tribunal • President, Society of Indian Law Firms • President, Inter Pacific Bar Association • Chairman, Chartered Institute of Arbitrators, India Chapter • Chairman, Services Export Promotion Council • Vice President, The Bar Association of India • Executive President, India Law Foundation • President, Indian Society for Afro Asian Studies • Honorary Life Member, International Bar Association • Chairman, PHD Chamber of Commerce & Industry Committee on Corporate Affairs • Chairman, CII National Task Force on Dispute Resolution • Member, Management Committee, The Sagar School, Rajasthan <ul style="list-style-type: none"> - Has received several awards including the Indira Gandhi National Unity Award, Award for excellence in Professionalism by Institute of Marketing and Management, Indira Gandhi Priyadarshini Award, Award of distinction by International Bar Association, National Award for excellence by All India Lawyers Forum for Civil Liberties and Award of Honour from the Prime Minister of India for services to the Legal Profession and Commitment to the Rule of Law in December 2001, National Law Day Award 2007 given by the President of India in the presence of the Chief Justice of India at Vigyan Bhavan for "Outstanding contribution in the development of the Bar in India and for deep involvement and conscientious engagement in the maintenance of the highest standards at the Bar". - Has authored several books on diverse subjects. - Is a trustee of Jawaharlal Nehru Memorial Fund and India Foundation for the Arts.
Names of other companies in which he holds directorship of the Board and membership / chairmanship of committees of the Board*	<ol style="list-style-type: none"> 1) Ansal Properties Industries Ltd. (also a member of Shareholders Grievance Committee) 2) Appollo Zippers India Ltd. 3) Asian Hotels (North) Ltd. (also chairman of Audit committee & member of Shareholders Grievance Committee) 4) Asian Hotels (West) Ltd. (also member of Audit Committee & Shareholders Grievance Committee) 5) Bharat Hotels Ltd. (also member of Audit Committee) 6) LMJ International Ltd. 7) Modicare Ltd. 8) Omax Autos Ltd. 9) Urban Infrastructure Trustees Ltd.
3) Name of the Director	Mr. Anup N. Kothari
Qualifications	B.Arch., F.I.I.A
Professional Experience	<ul style="list-style-type: none"> - Graduated in Architecture from Baroda University in 1965. - Worked in Sweden on various types of projects such as Administration and Bank Building, Group Housing Projects, etc. - On return to India, joined a leading firm of Architects and has since been closely associated with various projects, Multiplex Cinema Halls, Universities, Embassies, etc. - Is a member of Council of Architecture and Indian Institute of Architects.
Names of other companies in which he holds directorship of the Board and membership / chairmanship of committees of the Board*	<ol style="list-style-type: none"> 1) International Research Park Laboratories Ltd. 2) Samkap Chemicals Ltd.

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies. Represents membership/chairmanship of only Audit and Shareholders/Investors Grievances Committee.

vi) Legal Compliances

The Board periodically reviews compliance reports of applicable laws prepared by the company as well as steps taken by the company to rectify the instances of non-compliances.

vii) Code of Conduct

The Company has laid down a Code of Conduct applicable to the Board members and senior management team of the Company. The said Code has been communicated to the directors and senior management personnel and is also posted on the website of the Company, www.godfreyphillips.com.

All Board members and senior management personnel have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2012. A declaration to this effect signed by Mr. K.K. Modi, Managing Director as the Chief Executive Officer of the Company is annexed to this report.

3. AUDIT COMMITTEE

i) Composition and Terms of Reference

The Audit Committee of the company has been constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The Audit Committee of the company comprises of three non-executive independent directors viz. Mr. O. P. Vaish, Mr. Anup N. Kothari and Mr. Lalit Bhasin.

The terms of reference of the Audit Committee cover all the areas specified in Section 292A of the Companies Act, 1956 as well as those specified in clause 49 of the Listing Agreement, as amended from time to time and inter-alia include overseeing financial reporting process, reviewing the financial statements before submission to the Board, reviewing internal control systems and internal audit functions, etc. The Audit Committee also reviews the information relating to management discussion and analysis of financial condition, significant related party transactions, letters of internal control weaknesses issued by the statutory auditors and internal audit reports.

All the members of the Audit Committee are financially literate and Mr. O.P. Vaish, Chairman of the Audit Committee, possesses relevant accounting and financial management expertise. Mr. Sanjay Gupta, Company Secretary, is the Secretary to the Committee.

The Chairman, Mr. O.P. Vaish, was present at the Annual General Meeting held on 20th September, 2011, to answer the shareholders' queries.

Audit Committee meetings are also attended by Managing Director in his capacity as director-in-charge of finance, Chief Financial Officer, Company Secretary, the Internal Auditors and the Statutory Auditors as the invitees.

ii) Details of meetings and attendance of each member of the Committee

During the financial year 2011-12, the Audit Committee met 4 (four) times viz. on May 29, 2011, July 30, 2011, November 4, 2011 and February 1, 2012.

S. No.	Name	Category of directors	No. of Meetings attended (Total Meetings held - 4)
1	Mr. O.P. Vaish	Non-Executive & Independent	4
2	Mr. Lalit Bhasin	Non-Executive & Independent	4
3	Mr. Anup N. Kothari	Non-Executive & Independent	4

4. SUBSIDIARY COMPANIES

- (i) Since the Company does not have any material non-listed Indian subsidiary company, the requirement for appointment of an independent director on the Board of such subsidiary is not applicable.
- (ii) The Audit Committee of the Company has reviewed the financial statements in respect of the investments made by its unlisted subsidiary companies at its meeting held on May 28, 2012.
- (iii) Copies of the minutes of the board meetings of all the unlisted subsidiary companies held during the year 2011-12 were placed at the board meeting of the Company held on May 29, 2012. Requirement relating to significant transactions and arrangements entered into between the Company and its unlisted subsidiary companies is not applicable to the Company since none of its subsidiaries is material.

5. DISCLOSURES

(A) Basis of related party transactions

(i) Transactions with related parties in the ordinary course of business:

Transactions with the related parties disclosed in note 39 to the Financial Statements for the year ended March 31, 2012 are in the ordinary course of business. Details of these transactions were placed at the Audit Committee meeting held on May 28, 2012. The said transactions have no potential conflict with the interest of the company at large.

(ii) Transactions with related parties not in the normal course of business:

There are no transactions entered into by the Company with the related parties during the financial year ended March 31, 2012 whose terms and conditions are not in the normal course of business.

(iii) Transactions with related parties not on arm's length basis:

There are no transactions entered into by the Company with the related parties during the financial year ended March 31, 2012 whose terms and conditions are not on an arm's length basis.

(B) Disclosure of Accounting Treatment

The financial statements for the year ended March 31, 2012 comply with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

(C) Risk management

The Company being an old established organization, has in place built-in internal control systems for assessing and mitigating elements of risks in relation to its operations. The departmental heads are reasonably alive of this aspect in their day to day functioning. However, with a view to apprise the Board of Directors of the risk management procedures and the steps to minimize/eliminate the same in a structured manner, the Company has formulated a Risk Profile and Risk Register, listing out various risks and mitigating factors, which is periodically reviewed by the Board.

(D) Proceeds from public issues, right issues, preferential issues, etc.

The Company did not raise any funds through public issues, right issues, preferential issues, etc. during the year under report.

(E) Others

- (i) There is no non-compliance of any legal provision of applicable laws and no penalties or strictures have been imposed by the stock exchanges, SEBI or any other statutory authority on any matter related to capital markets during the last three years.
- (ii) The Company does not have any Whistle Blower Policy.
- (iii) The Company has complied with all applicable mandatory requirements of clause 49 of the Listing Agreement during the year. The Company has not adopted any non-mandatory requirements.

6. REMUNERATION TO DIRECTORS

(i) Remuneration policy

The Company has not constituted any Remuneration Committee. The remuneration to be paid to the Managing/Executive/Whole-time Directors is decided by the Board and recommended for approval by the shareholders at the Annual General Meeting. As per provisions of the Articles of Association of the Company, the overall payment of sitting fees to a director for attending the Board and Committee meetings shall not exceed Rs.3 lacs in a financial year.

(ii) Details of remuneration paid/payable to the directors

(Amount in Rs.)

Name of the Director	Salary and Other Allowances*	Perquisites	Commission	Sitting Fees Board/Committee Meetings	Total
Mr. R.A. Shah	Nil	Nil	Nil	1,00,000	1,00,000
Mr. K.K. Modi ¹	1,20,00,000	39,600	1,00,00,000	Nil	2,20,39,600
Mr. R. Ramamurthy ²	72,00,000	39,600	Nil	Nil	72,39,600
Mr. Lalit Bhasin	Nil	Nil	Nil	1,80,000	1,80,000
Mr. Anup N. Kothari	Nil	Nil	Nil	1,80,000	1,80,000
Mr. Lalit Kumar Modi ³	Nil	Nil	1,10,00,000	Nil	1,10,00,000
Mr. C.M. Maniar	Nil	Nil	Nil	1,40,000	1,40,000
Mr. O.P. Vaish	Nil	Nil	Nil	1,80,000	1,80,000
Mr. Samir Kumar Modi ⁴	36,00,000	37,30,839	36,00,000	Nil	1,09,30,839
Total	2,28,00,000	38,10,039	2,46,00,000	7,80,000	5,19,90,039

* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

(iii) Details of service contract, notice period, severance fees etc. of directors

¹The Company has service contract with Mr. K.K. Modi, President & Managing Director for a period of three years with effect from August 14, 2009, which is being extended by Board of Directors subject to the approval of shareholders w.e.f. August 14, 2012. The notice period is six calendar months by either party. No severance fees is payable to him.



**GODFREY PHILLIPS
INDIA LIMITED**

²The Company has service contract with Mr. R. Ramamurthy, Whole-time Director for a period of three years with effect from 14th August, 2009, which is being extended by Board of Directors subject to the approval of shareholders w.e.f. August 14, 2012. The notice period is three months by either party. However, the Company has the right to terminate appointment forthwith upon payment of three months salary only in lieu of notice and in that case he will not be entitled to any perquisites or other benefits in respect of such three months period.

³In pursuance of the resolution passed on 28th April, 2011, by the shareholders of the Company through postal ballot, Mr. Lalit Kumar Modi is entitled to payment of commission under Section 309(4)(b) of the Companies Act, 1956 at not more than one percent (1%) per annum of the net profits of the Company computed in the manner laid down in Sections 198, 349 and 350 for a period of three years w.e.f. 1st August, 2010, subject to a ceiling of Rs.110 Lacs for or in respect of any one financial year of the Company.

⁴The Company has service contract with Mr. Samir Kumar Modi, Executive Director for a period of three years with effect from 1st September, 2010. The notice period is three months by either party. No severance fees is payable to him.

The Company presently does not have any stock option scheme.

(iv) Details of shares/convertible instruments held in the Company by Non-Executive Directors.

S. No.	Name of the non-executive director	No. of shares held as on March 31, 2012
1.	Mr. R. A. Shah (shares held jointly with Mrs. A. R. Shah - wife)	4000
2.	Mr. Lalit Bhasin	400
3.	Mr. Anup N Kothari	1200
4.	Mr. C.M. Maniar (shares held jointly with Mrs. K.C. Maniar - wife)	688
5.	Mr. O.P. Vaish	400
6.	Mr. Lalit Kumar Modi	400

7. MANAGEMENT

As required under Clause 49 of the Listing Agreement, all the members of senior management team shall disclose their interest in all material, financial and commercial transactions, which may have a potential conflict with the interest of the Company at large.

The senior management team comprising of 16 (sixteen) members, being the top executives of the Company have disclosed to the Board of Directors of the Company about all the material financial and commercial transactions that have taken place during the financial year ended March 31, 2012 where they had personal interest. These include dealing in/holding of shares by them/their relatives in the Company, transactions entered into by them/their relatives with the Company, transactions entered into by the Company with the companies in which they/their relatives are Directors or Members and transactions entered into by them/their relatives with the subsidiary companies of the Company and these were placed before the Board of Directors of the Company.

8. SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has a Share Transfer and Shareholders/Investors Grievance Committee which comprises of Mr. C.M. Maniar, a Non-Executive Director as its Chairman, Mr. K.K. Modi, President & Managing Director, Mr. R. Ramamurthy, Whole-time Director and Mr. Lalit Bhasin, Non-Executive Director as its members. This Committee, besides sanctioning share transfers/transmissions and other related matters, is also required to look into the redressal of shareholders' and other investors' complaints. Mr. Sanjay Gupta, Company Secretary, is the Compliance Officer.

During the financial year 2011-12, 35 complaints were received from the shareholders/investors and all were redressed to their satisfaction. No complaint was pending for redressal as on March 31, 2012.

9. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings (AGM) are as follows:

Financial year	Date of AGM	Time	Location	Particulars of Special Resolutions Passed
2008-09	25.09.2009	3:30 P.M.	Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021	<ul style="list-style-type: none"> • Approving the change in the place of keeping the Registers and Records of the Company pursuant to Section 163 of the Companies Act, 1956. • Alteration of Articles of Association by way of insertion of Article 88A, Article 102B, Article 105A and Article 149A.
2009-10	09.09.2010	3.30 P. M.	-do-	No Special Resolution was passed
2010-11	20.09.2011	11.00 A.M.	-do-	No Special Resolution was passed

There was no other General Body Meeting held during the last three years.

No resolution was put through postal ballot during the year 2011-12.

There is no special resolution proposed to be passed through postal ballot at the ensuing Annual General Meeting scheduled on 14th September, 2012.

10. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are published by the Company in The Economic Times (English) and in Maharashtra Times (Marathi). The quarterly and yearly results are also available on the Company's website : www.godfreyphillips.com as well as on Bombay Stock Exchange and National Stock Exchange websites: www.bseindia.com & www.nseindia.com.The half-yearly reports are not sent to household of the shareholders. During the year, no formal presentations were made to the institutional investors/analysts.

The Management Discussion and Analysis Report forms a part of the Directors' Report.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date and Time : 14th September, 2012 at 3.30 P.M.
 Venue : Y.B. Chavan Auditorium, General Jagannath Bhosle Marg
 (Next to Sachivalaya Gymkhana), Mumbai – 400 021

(ii) Financial Calendar for 2012-13

First Quarter Results : 31st July, 2012 (Actual)
 Second Quarter Results : Latest by 14th November, 2012
 Third Quarter Results : Latest by 14th February, 2013
 Annual Results : Latest by 30th May, 2013

(iii) Date of Book Closure : September 01, 2012 to September 14, 2012
 (both days inclusive)

(iv) Dividend Payment Date : Dividend payment shall be made from September 18, 2012 to those shareholders whose names shall appear on the Members' Register as on September 14, 2012.

(v) Listing on the Stock Exchanges:

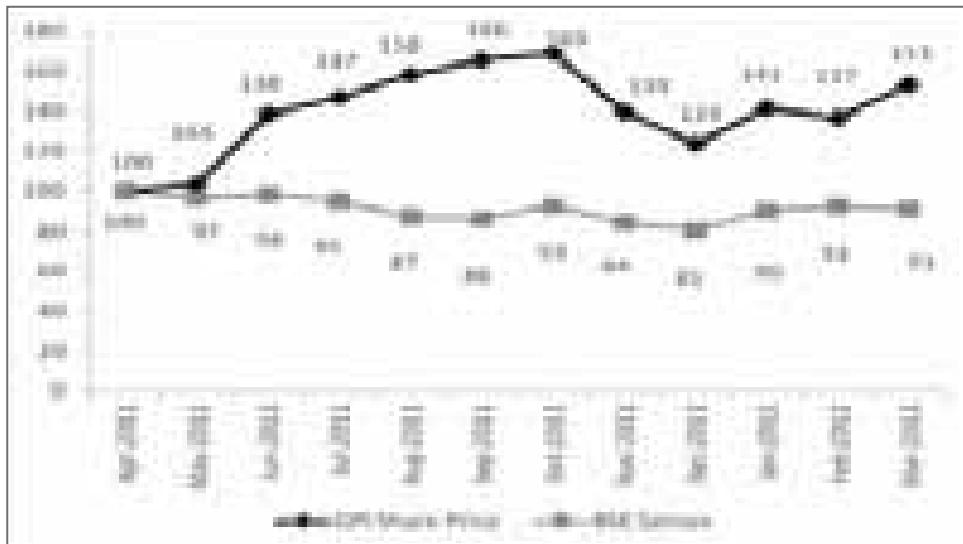
The Company's shares are listed on National Stock Exchange (Stock Code GODFRYPHLP) and Bombay Stock Exchange (Stock Code 500163).

(vi) Market Price Data of equity shares of the Company

The High and Low prices of the equity shares of the Company at Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE) for the year ended 31st March, 2012 are as under:

Month	Share Prices (Rs.) at BSE		Share Prices (Rs.) at NSE	
	High	Low	High	Low
April 2011	2200.00	1859.00	2080.00	1861.05
May 2011	2130.00	1900.00	2150.00	1892.10
June 2011	2939.90	2026 .00	2940.00	2020.30
July 2011	3325.00	2826 .00	3318.00	2820.00
August 2011	3505 .00	3030 .00	3550.00	3003.05
September 2011	3732.90	3195 .00	3724.00	3185.25
October 2011	3859 .75	3001.05	3864.00	3004.00
November 2011	3600 .00	2821 .05	3597.00	2652.00
December 2011	2971.00	2349 .00	2964.95	2311.00
January 2012	3020 .00	2425.00	3014.95	2450.00
February 2012	3349.95	2751 .05	3299.95	2712.05
March 2012	3320 .00	2650 .00	3505.00	2665.80

(vii) Performance of the share price of the company in comparison to BSE Sensex:



Note: The chart above has share prices and Sensex indexed to 100 as on the last working day of each month for the financial year 2011-12.

(viii) Registrars and Share Transfer Agent

Sharepro Services (India) Pvt. Ltd.
 13 AB, Samhita Warehousing Complex,
 Second Floor, Sakinaka Telephone Exchange Lane
 Off Andheri Kurla Road, Sakinaka,
 Andheri (East), Mumbai - 400072
 Telephone No : 022-67720300, 67720400
 Fax No : 022-28591568
 E-mail : sharepro@shareproservices.com

(ix) Share Transfer System

The Company's share transfer and related operations are handled by Sharepro Services (India) Pvt. Ltd., Registrars and Share Transfer Agent (RTA) who are registered with the SEBI as a Category 1 Registrar.

The shares for transfers received in physical mode by the Company/RTA, are transferred expeditiously provided the documents are complete and the shares are not under dispute. The share certificates duly endorsed are returned immediately after transfer.

(x) Distribution of shareholding as on March 31, 2012

Number of equity share holdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-50	5524	49.65	93675	0.90
51-100	2097	18.85	187474	1.80
101-500	3107	27.93	670469	6.45
501-1000	217	1.95	152089	1.46
1001-5000	125	1.12	244782	2.35
5001-10000	15	0.14	108259	1.04
10001 & Above	40	0.36	8942036	86.00
TOTAL	11125	100.00	10398784	100.00



GODFREY PHILLIPS
— INDIA LIMITED —

(xi) Categories of Shareholding as on March 31, 2012

Category of Shareholder	Number of Shares	Percentage of Shares
A. Promoter and Promoter Group	7,387,937	71.05
B. Public Shareholding		
Foreign Institutional Investors	1,446,022	13.91
Mutual Funds/UTI	21,895	0.21
Financial Institutions/Banks	9,203	0.09
Central Government/State Government(s)	6,000	0.06
Bodies Corporate	66,969	0.64
Individuals	1,432,193	13.77
Directors & Relatives	8,338	0.08
NRIs and OCBs	15,511	0.15
Others	4,716	0.04
Total Public Shareholding	3,010,847	28.95
Total Shareholding (A+B)	10,398,784	100.00

(xii) Dematerialisation of shares

The shares of the Company are compulsorily traded in the dematerialised form and are available for trading under both the Depository Systems- NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services (India) Ltd). As on March 31, 2012, a total of 9,943,985 equity shares of the Company, which forms 95.63% of the share capital, stand dematerialised.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE260B01010.

(xiii) Outstanding GDRs/ADRs/Warrants or other Convertible Instruments

The Company has no outstanding GDRs/ADRs/Warrants or other convertible instruments.

(xiv) Plant Locations

The Company's plants are situated at Andheri (Mumbai), Baramati, Rabale (Navi Mumbai), Bazpur, Kolkata, Ongole and Ghaziabad and the plant located at Guldhar (Ghaziabad) is owned by the Company's wholly owned subsidiary, International Tobacco Company Limited.

Andheri Plant (Cigarette)	:	V.K.K. Menon Road (Sahar Road), Chakala, Andheri (East), Mumbai - 400 099
Guldhar Plant (Cigarette)	:	International Tobacco Company Limited, Delhi- Meerut Road, Guldhar, Ghaziabad - 201 001
Baramati Plant (Chewing Products)	:	Plot No. A-1/1, MIDC Industrial Area, Baramati, Maharashtra – 413 133

Rabale Plant (Cigarette)	:	Plot No. 19, MIDC, TTC Industrial Area, Rabale, Navi, Mumbai - 400 701
Ghaziabad (Chewing Products)	:	B-19, Meerut Road, Site No. 3, Ghaziabad
Bazpur (Tea Blending & Packaging)	:	Plot No. C-9, Bazpur - 1, Upsidc Industrial Area, Distt- Udhampur, (Uttarakhand) - 262 123
Kolkata (Tea Blending and Packaging-operated by a contractor)	:	Landys + GYR Compound, Diamond Harbour Road, Joka, Kolkata - 700 104
Ongole (Reconstituted Tobacco)	:	Plot No. 289 to 300, Apic Growth Centre, Gundlapally, Ongole, Prakasam Dist., Andhra Pradesh – 523 001.

(xv) Address for Correspondence

Shareholders should address all their correspondence concerning shares to the Company's Registrars and Share Transfer Agent, Sharepro Services (India) Pvt. Ltd. at the address mentioned at S. No. 11(viii) above or at:

Sharepro Services (India) Pvt. Ltd.
912, Raheja Centre,
Free Press Journal Road,
Nariman Point, Mumbai- 400 021
Telephone No : 022-22825163
E-mail : sharepro@shareproservices.com

12. CEO/CFO CERTIFICATION

A certificate signed by Mr. K.K. Modi, Managing Director as CEO and by Mr. Sunil Agrawal, Vice President - Finance as CFO is attached with this report.

13. COMPLIANCE REPORT ON CORPORATE GOVERNANCE

The Company is regularly filing the Quarterly Compliance Report on Corporate Governance with the Stock Exchanges as per the format specified in Annexure 1B to the Clause 49 of the Listing Agreement.

For and on behalf of the Board

Place : New Delhi
Date : July 31, 2012

R.A. SHAH
Chairman

CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION ON COMPANY'S CODE OF CONDUCT

**The Board of Directors
Godfrey Phillips India Limited
49, Community Centre
Friends Colony
New Delhi – 110 025**

I, K.K. Modi, Managing Director being the Chief Executive Officer (CEO) of Godfrey Phillips India Limited do hereby declare that all the members of the Board of Directors and the members of the Senior Management Team of the Company have affirmed compliance with the Code of business conduct of the Company during the financial year ended March 31, 2012.

Place : New Delhi
Date : May 29, 2012

K.K. MODI
Managing Director
(Chief Executive Officer)

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

**The Board of Directors
Godfrey Phillips India Limited
49, Community Centre
Friends Colony
New Delhi – 110 025**

We, K.K. Modi, Managing Director being the Chief Executive Officer and Sunil Agrawal, Vice President - Finance being the Chief Financial Officer of Godfrey Phillips India Limited, do hereby confirm to the best of our knowledge and belief, in relation to the financial statements for the year ended March 31, 2012 that:

- a. We have reviewed the financial statements for the year and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of business conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Also, during the year we have not come across any significant instances of deficiencies in the design or operation of such internal controls requiring disclosure to the auditors and the Audit Committee.
- d. There were no significant changes in internal control over financial reporting and in accounting policies during the year requiring disclosure to the auditors and the Audit Committee. Also, we have not come across any instance of fraud during the year requiring disclosure to the auditors and the Audit Committee.

K.K. MODI
Managing Director
(Chief Executive Officer)

Place: New Delhi
Date : May 29, 2012

SUNIL AGRAWAL
Vice President - Finance
(Chief Financial Officer)

CERTIFICATE



To the Members of Godfrey Phillips India Limited

We have examined the compliance of conditions of Corporate Governance by Godfrey Phillips India Limited for the year ended March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. FERGUSON & CO.
Chartered Accountants
Registration No. 112066W

Jaideep Bhargava
Partner
Membership No. 90295

Place : New Delhi
Date : July 31, 2012

STATEMENT

pursuant to Section 212 of the Companies Act, 1956

A. Holding Company's interest in the subsidiaries at the close of the respective financial years.

Name of the Subsidiary	Financial Year ended	Extent of interest
1. International Tobacco Company Limited	31.3.2012	The entire issued share capital of 300000 Equity Shares of Rs. 100 each fully paid.
2. Chase Investments Limited	31.3.2012	The entire issued share capital of 359700 Equity Shares of Rs. 100 each of which 201210 are fully paid up and 158490 are Rs.50 paid up.
3 Kashyap Metal and Allied Industries Limited	31.3.2012	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)
4 Unique Space Developers Limited	31.3.2012	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)
5 Gopal Krishna Infrastructure & Real Estate Limited	31.3.2012	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)
6 Rajputana Infrastructure Corporate Limited	31.3.2012	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)

B. Net aggregate amount of profits/(losses) of the subsidiaries not dealt with in the Holding Company's accounts.

Name of the Subsidiary	For Financial Year ended 31.3.2012 Rs. in lacs	For Previous Financial Years Rs. in lacs
1. International Tobacco Company Limited	27.04	1136.90
2. Chase Investments Limited	9.73	246.71
3. City Leasing and Finance Company Limited	- *	124.88
4. Manhattan Credits and Finance Limited	- *	46.00
5. Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6. Unique Space Developers Limited	Not Applicable	Not Applicable
7. Gopal Krishna Infrastructure & Real Estate Limited	Not Applicable	Not Applicable
8. Rajputana Infrastructure Corporate Limited	Not Applicable	Not Applicable

* Merged with Chase Investments Limited in the current year.

C. Net aggregate amount of profits/(losses) of the subsidiaries dealt with in the Holding Company's accounts, being the dividend received.

Name of the Subsidiary	For Financial Year ended 31.3.2012 Rs. in lacs	For Previous Financial Years Rs. in lacs
1. International Tobacco Company Limited	Nil	Nil
2. Chase Investments Limited	Nil	8.16
3. City Leasing and Finance Company Limited	- *	8.29
4. Manhattan Credits and Finance Limited	- *	7.20
5. Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6. Unique Space Developers Limited	Not Applicable	Not Applicable
7. Gopal Krishna Infrastructure & Real Estate Limited	Not Applicable	Not Applicable
8. Rajputana Infrastructure Corporate Limited	Not Applicable	Not Applicable

* Merged with Chase Investments Limited in the current year.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

SUNIL AGRAWAL
Chief Financial Officer

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

Place : New Delhi
Date : May 29, 2012

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Directors

AUDITORS' REPORT

To the Members of Godfrey Phillips India Limited



1. We have audited the attached Balance Sheet of **GODFREY PHILLIPS INDIA LIMITED** ("the Company") as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2012 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For A. F. FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: New Delhi
Date : May 29, 2012



GODFREY PHILLIPS
INDIA LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business/activities/result, clauses 4 (x) and (xiii) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable.

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) As explained to us, the Company has a system of physical verification of fixed assets which is designed to cover all fixed assets once in a period of three years and in accordance therewith, no physical verification was due during the current year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 ("the Act"), according to the information and explanations given to us:

- (a) The Company has granted unsecured loan amounting to Rs. 100 lacs to a company during the year. The maximum amount due during the year in respect of the said loan and the year-end balance is Rs. 200 lacs.
- (b) The rate of interest and other terms and conditions of such loan are, in our opinion, *prima-facie*, not prejudicial to the interest of the Company.
- (c) As per the terms and conditions of the loan made no principal amount was due during the year and receipt of interest has been as per stipulation.

According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. There are no sale of services during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs. 5 lacs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues including Provident Fund, Investor Education and Protection Fund, Income-tax, Wealth Tax, Customs Duty, Entry tax, Cess and other material statutory dues applicable to it with the appropriate authorities and has generally been regular in respect of dues of tax deducted at source, service tax, value added tax, Employees' State Insurance and Excise duty. We are informed that there are no undisputed statutory dues as at the year-end outstanding for a period of more than six months from the date they became payable.
 - (b) There are no dues of Wealth Tax, Service Tax, Customs Duty and Cess matters which have not been deposited on account of any dispute. The details of dues of Sales Tax, Excise Duty and Income-tax as at March 31, 2012, which have not been deposited by the Company on account of disputes are as follows:



GODFREY PHILLIPS
— INDIA LIMITED —

Name of the statute	Nature of the dues	Amount of dues* (Rs. lacs)	Amount deposited (Rs. lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Laws	Sales tax	17.71	11.28	1995-96, 2001-02,2006-07	Sales Tax Tribunal
		53.35	24.84	1998-99 to 1999-00, 2005-06 to 2007-08 2009-10 to 2010-11	Upto Commissioners' Level
		6.48	6.48	2006-07	High court
Central Excise Law	Excise duty	6.93	—	2009-10 to 2010-11	Upto Commissioners' Level
		564.84	—	2002-03 to 2006-07, 2008-09 to 2010-11	Customs Excise Service Tax Appellate Tribunal
Income-Tax Law	Income-tax	244.00	244.00	1979 to 1982, 1995-96 to 1997-98	High Court
		58.32	58.32	2005-06 to 2008-09	Income Tax Appellate Tribunal
		275.83	271.89	1999-00, 2002-03 to 2008-09	Upto Commissioners' Level

*amount as per demand orders, including interest and penalty, where quantified in the Order.

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:-

Name of the statute	Nature of the dues	Amount (Rs. lacs)	Period to which the amount relates	Forum where department has preferred appeal
Income Tax Law	Income tax	340.54	1969, 1974 to 1977, 1991-92 to 1994-95, 2001-02 to 2003-04	High Court
		3.84	2005-06	Income Tax Appellate Tribunal
		6.07	2000-01	CIT(A)
U.P. Krishi Utpadan Mandi Adhiniyam	Mandi cess	108.20	1997-98 to 1998-99	Supreme Court
Central Excise Law	Excise duty	27.71	2009-10,2010-11	Customs Excise Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	10.40	2007-08	High Court

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xi) In our opinion and according to the explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- (xii) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions during the year.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used for long-term investment.
- (xvi) The Company has not made any preferential allotment of shares during the year.
- (xvii) The Company has not issued any debentures during the year.
- (xviii) The Company has not raised money by way of public issue, during the year.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For A. F. FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: New Delhi
Date : May 29, 2012

BALANCE SHEET

as at March 31, 2012

Particulars	Note No.	As at 31.3.2012	Rupees in lacs As at 31.3.2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	1039.88	1039.88
Reserves and surplus	3	91051.03	77985.21
		92090.91	<u>79025.09</u>
Non-current liabilities			
Long-term borrowings	4	23188.50	16817.23
Other long-term liabilities	5	19.10	17.10
Long-term provisions	6	2981.97	2431.63
		26189.57	<u>19265.96</u>
Current liabilities			
Short-term borrowings	7	3436.69	2468.42
Trade payables	8	11893.59	9954.50
Other current liabilities	9	23814.11	19262.07
Short-term provisions	10	6268.45	5692.74
		45412.84	<u>37377.73</u>
TOTAL		163693.32	<u>135668.78</u>
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	11	52477.01	28042.84
- Intangible assets	11	231.85	293.86
- Capital work-in-progress	11	13740.90	18039.03
Non-current investments	12	16054.79	8201.60
Deferred tax assets (net)	13	752.23	78.81
Long-term loans and advances	14	4227.16	4125.56
		87483.94	<u>58781.70</u>
Current assets			
Current investments	15	19778.33	24112.58
Inventories	16	37715.73	34919.54
Trade receivables	17	7494.95	4538.60
Cash and cash equivalents	18	2186.08	5150.23
Short-term loans and advances	19	7695.62	6407.18
Other current assets	20	1338.67	1758.95
		76209.38	<u>76887.08</u>
TOTAL		163693.32	<u>135668.78</u>
Accompanying notes 1 to 49 form part of the financial statements			

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava
Partner

R.A. SHAH
Chairman

SAMIR KUMAR MODI
Executive Director

K.K. MODI
President

Place : New Delhi
Date : May 29, 2012

S. SERU
Chief Executive

R. RAMAMURTHY
Whole-time Director

Directors

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

STATEMENT OF PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2012



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

Particulars	Note No.	Year ended 31.3.2012	Year ended 31.3.2011
INCOME			
Revenue from operations	21	338824.66	308576.20
Less: Excise duty		147644.38	145487.54
			<hr/>
Other income	22	191180.28	163088.66
		3033.38	2386.07
		<hr/> 194213.66	<hr/> 165474.73
TOTAL REVENUE			
EXPENSES			
Cost of materials consumed	23	49605.29	43979.04
Purchases of traded goods	24	26126.59	18576.39
Changes in inventories of finished goods, work-in-process and traded goods	25	954.58	(482.74)
Employee benefits expenses	26	16253.67	13879.42
Finance costs	27	3165.14	1357.38
Depreciation and amortization expenses	11	6263.13	4000.29
Other expenses	28	66121.77	60017.58
		<hr/> 168490.17	<hr/> 141327.36
TOTAL EXPENSES			
Profit before tax		25723.49	24147.37
Tax expense:			
– Current tax		8260.64	7720.00
– Deferred tax (credit)/charge		(673.42)	(175.98)
		<hr/> 18136.27	<hr/> 16603.35
Earning per equity share- basic/diluted (Face value of share - Rs. 10 each)	30	Rs. 174.41	Rs. 159.67
Accompanying notes 1 to 49 form part of the financial statements			

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava
Partner

R.A. SHAH
Chairman

SAMIR KUMAR MODI
Executive Director

K.K. MODI
President

Place : New Delhi
Date : May 29, 2012

S. SERU
Chief Executive

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

Directors

CASH FLOW STATEMENT

for the year ended March 31, 2012

Rupees in lacs

Particulars		For the year ended 31.3.2012	For the year ended 31.3.2011
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		25723.49	24147.37
Adjustments for:			
Depreciation and amortization		6263.13	4000.30
Interest income from:			
- Subsidiary companies		(250.92)	(400.71)
- Debts, deposits, loans and advances, etc.		(345.37)	(303.97)
Dividends from current and long-term investments		(97.72)	(355.53)
Interest income from long-term investments		(3.62)	-
Profit on redemption/sale of long-term investments		(2166.04)	(807.50)
Profit on sale of current investments		(499.88)	(347.11)
Exchange (gain)/ loss on foreign currency bank balance		(0.14)	0.23
Exchange (gain)/loss on long-term foreign currency borrowings		4208.95	(251.93)
Provision for wealth-tax		18.00	18.00
Interest expenses - on borrowings		1452.09	965.92
- others		144.18	19.26
Provision for decline in the value of Investments written back		(18.00)	(146.00)
Fixed assets written off		46.26	59.73
Loss on sale of fixed assets		138.66	98.51
		8889.58	2549.20
Operating profit before working capital changes		34613.07	26696.57
Adjustments for:			
Trade and other receivables		(3412.32)	(906.35)
Inventories		(3201.88)	1095.04
Trade and other payables		866.71	5211.34
		(5747.49)	5400.03
Cash generated from operations		28865.58	32096.60
Interest received		489.83	599.60
Direct taxes paid		(8768.30)	(7561.76)
		(8278.47)	(6962.16)
Net cash from operating activities		20587.11	25134.44
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(23368.58)	(19806.57)
Proceeds from sale of fixed assets		152.34	156.79
Purchase of current and long-term investments		(184085.01)	(220610.45)
Proceeds from sale of current and long-term investments		183249.99	209082.45
Dividends from current and long-term investments		(835.02)	(11528.00)
Loans and deposits given		97.72	355.53
Loans and deposits received back		(100.00)	(100.00)
Interest received		-	50.00
		115.39	98.85
Net cash used in investing activities		(23938.15)	(30773.40)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term borrowings availed		8912.00	12923.70
Repayment of long term borrowings		(3688.49)	(1822.16)
Proceeds from/(Repayment of) short-term bank borrowings		968.27	246.85
Interest paid		(1580.14)	(946.26)
Dividend paid		(3634.46)	(2590.89)
Corporate dividend tax paid		(590.43)	(431.78)
		386.75	7379.46
Net cash used in financing activities			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2964.29)	1740.50
Opening cash and cash equivalents		5150.23	3409.96
- Cash and bank balances*			
Closing cash and cash equivalents		2186.08	5150.23
- Cash and bank balances*		(0.14)	0.23
		2185.94	5150.46

* Includes bank fixed deposits lodged as security with Government Authorities, term deposits and margin money deposits with banks aggregating to Rs.846.54 lacs as at March 31, 2012 (as at March 31, 2011 Rs.3973.86 lacs)

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava
Partner

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

Place : New Delhi
Date : May 29, 2012

S. SERU
Chief Executive

R. RAMAMURTHY
Whole-time Director

Directors

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Notes forming part of the financial statements

for the year ended March 31, 2012



1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

i) **Fixed assets and depreciation**

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition of qualifying assets upto the date of their commissioning.

No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the higher of the rates prescribed under the Companies Act, 1956 or the accelerated rates determined based on their useful lives as per technical estimates of the Management, and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The rates applied are as follows:-

Buildings-Other than factory	1.63%
-Factory	3.34%
Plant and machinery	4.75%/10.34%
Furniture and fixtures	6.33%
Computers, information technology equipments and computer software	16.21%
Motor vehicles	9.50%

ii) **Investments**

Long term investments are stated at cost net of provision for diminution other than temporary, if any. Current investments are stated at cost or fair value, whichever is lower.

iii) **Inventories**

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under. The cost of raw materials, stores and spares and traded goods is determined on moving weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

iv) **Revenue recognition**

Sale of goods is recognised at the point of dispatch of goods to customers. Sales are inclusive of excise duty where applicable but exclusive of sales tax/value added tax. Income from investments is recognised on an accrual basis.



GODFREY PHILLIPS
INDIA LIMITED

v) **Employee benefits**

The Company has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund duly recognised by the Income-tax authorities. The funds are administered through trustees and the Company's contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

vi) **Income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

vii) **Proposed dividends**

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

viii) **Research and development expenditure**

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

ix) **Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the statement of profit and loss. The monetary items are translated at the year end rates and the gains/losses are taken to the statement of profit and loss.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the statement of profit and loss. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period.

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
2. Share capital		
Authorised		
60,000 Preference shares of Rs. 100 each	60.00	60.00
2,44,00,000 Equity shares of Rs. 10 each	2440.00	2440.00
	2500.00	2500.00
Issued, subscribed and fully paid up		
1,03,98,784 Equity shares of Rs. 10 each	1039.88	1039.88

- (i) There has been no movement in the equity shares in the current and previous year.
- (ii) The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

- (iii) Shares held by each shareholder holding more than 5%:

Name of the shareholder	No. of shares	% held as at March 31, 2012	No. of shares	% held as at March 31, 2011
a) Philip Morris Global Brands Inc.	2,610,095	25.10%	2,610,095	25.10%
b) Indo Euro Investment Co. Pvt. Ltd.	1,471,782	14.15%	1,471,782	14.15%
c) K K Modi Investment & Financial Services Pvt. Ltd.	1,168,759	11.24%	1,168,759	11.24%
d) Good Investment (India) Ltd.	796,044	7.66%	796,044	7.66%
e) Jupiter India Fund	650,000	6.25%	705,000	6.78%



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
3. Reserves and surplus		
Revaluation Reserve	-	236.16
Capital Redemption Reserve	30.00	30.00
General Reserve	21930.72	19730.72
Surplus in Statement of Profit and Loss	69090.31	57988.33
	91051.03	<u>77985.21</u>

Movement in reserves and surplus is as under:

Revaluation Reserve

Opening balance	236.16	236.16
Less: Utilised for set off on conversion of real estate stock to fixed assets	(236.16)	-
Closing Balance	<u>-</u>	<u>236.16</u>

General Reserve

Opening balance	19730.72	17730.7
Add: Transfer from surplus in statement of profit and loss	2200.00	2000.00
Closing Balance	21930.72	<u>19730.72</u>

Surplus in Statement of Profit and Loss

Opening balance	57988.33	47614.98
Add: Net profit for the current year	18136.27	16603.35
Less: Proposed dividend	4159.51	3639.57
Corporate dividend tax	674.78	590.43
Transfer to general reserve	2200.00	2000.00
Net surplus in the statement of profit and loss	69090.31	57988.33

4. Long-term borrowings

Secured

Foreign currency term loans from banks	29515.93	20083.46
Less : Current maturities of long term borrowings	6327.43	3266.23
	23188.50	<u>16817.23</u>

Details of security and terms of above loans

These loans carry interest ranging between 3.8% to 6.5% per annum and are repayable in half yearly/yearly instalments ranging between 3 to 5 years. Further, these loans are secured by way of exclusive charges over specific plant and machinery.

5. Other long term-liabilities

Others		
- Security deposits	19.10	17.10
	19.10	<u>17.10</u>

6. Long-term Provisions

Provision for employee benefits		
- provision for compensated absences	2981.97	2431.63
	2981.97	<u>2431.63</u>

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
7. Short-term borrowings		
Secured		
- Cash credits from banks*	3040.86	2468.42
Unsecured		
- Foreign currency packing credits from banks	395.83	-
	3436.69	2468.42
*Secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company.		
8. Trade payables		
Trade Payables		
- Micro and small enterprises (Refer Note 37)	152.08	240.86
- Other than Micro and small enterprises	10402.15	7941.16
Employee payables	1339.36	1772.48
	11893.59	9954.50
9. Other current liabilities		
Current maturities of long-term borrowings	6327.43	3266.23
Interest accrued but not due on borrowings	233.67	217.54
Unclaimed dividends	163.32	158.21
Payable to gratuity fund	567.71	720.24
Payables for fixed assets	4054.36	936.26
Other payables		
- Security deposits	18.27	14.88
- Statutory dues	9181.59	11055.31
- Advances from customers	3191.07	2841.08
- Others	76.69	52.32
	23814.11	19262.07
10. Short-term provisions		
Provision for employee benefits		
- Provision for compensated absences	683.85	660.10
Others		
- Proposed dividend	4159.51	3639.57
- Provision for corporate dividend tax	674.78	590.43
- Taxation (net of payments)	750.31	802.64
	6268.45	5692.74



11. Fixed assets

	GROSS BLOCK (AT COST)			DEPRECIATION/AMORTIZATION			NET BLOCK		
	As at 31.3.2011	Additions/ adjustments	Deductions	As at 31.3.2012	As at 31.3.2011	For the year deductions	On deductions	As at 31.3.2012	As at 31.3.2012
Tangible Assets:									
Land-freehold	11.48	1414.75	-	1426.23	-	-	-	-	1426.23
Land-freehold	943.59	0.42	-	944.01	-	-	-	-	944.01
Buildings	2562.97 *	10242.54	-	12805.51 *	379.58	399.36	-	778.94	12026.57
Leasehold building improvements	621.70	48.54	-	670.24	39.60	22.49	-	62.09	608.15
Plant and machinery	39310.08	17927.81	68.13	57169.76	18508.90	5157.43	21.06	23645.27	33524.49
Electrical installation and equipments	271.84	65.19	5.55	331.48	83.99	17.73	3.06	98.66	232.82
Computers and information technology equipments	1370.52	392.38	123.25	1639.65	814.30	248.85	93.30	969.85	669.80
Furniture, fixtures and office equipments	1703.71	471.44	50.03	2125.12	708.73	117.32	21.84	804.21	1320.91
Motor vehicles	2604.94	409.48	509.27	2505.15	822.89	237.94	279.71	781.12	1724.03
Total of Tangible assets	49400.83	30972.55	756.23	79617.15	21357.99	6201.12	418.97	27140.14	52477.01
Intangible Assets									
Computer software	510.08	-	-	510.08	216.22	62.01	-	278.23	231.85
Total of Intangible assets	510.08			510.08	216.22	62.01		278.23	231.85
Grand Total	49910.91	30972.55	756.23	80127.23	21574.21	6263.13	418.97	27418.37	52708.86
Previous year	42742.17	8052.88	884.14	49910.91	18143.03	4000.29	569.11	21574.21	28336.70
Capital work-in-progress									13740.90
									18039.03
									66449.76
									46375.73

*Includes Rs. 0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies.

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
12. NON CURRENT INVESTMENTS		
LONG TERM INVESTMENTS-AT COST		
TRADE INVESTMENT - UNQUOTED		
Investments in Equity Instruments		
Subsidiary company		
International Tobacco Company Limited 3,00,000 (Previous year 1,00,000) Equity shares of Rs.100 each fully paid up (2,00,000 Equity Shares of Rs.100 each subscribed during the year on rights basis at a premium of Rs.1,475 each)	3250.00	100.00
Others		
Molind Engineering Limited 3,500 Equity shares of Rs.10 each fully paid up	0.25	0.25
IPM India Wholesale Trading Private Limited 49,60,000 Equity shares of Rs. 10 each fully paid up	496.00	496.00
KKM Management Centre Private Limited 11,02,500 Equity shares of Rs.10 each fully paid up	110.25	110.25
OTHER INVESTMENTS - UNQUOTED		
Investments in Equity Instruments		
Subsidiary companies:		
Chase Investments Limited 2,01,210 (Previous year 40,010) Equity shares of Rs.100 each fully paid up (1,61,200 Equity shares of Rs.100 each received on merger of City Leasing and Finance Company Limited and Manhattan Credits and Finance Limited with Chase Investments Limited) 1,58,490 Equity shares of Rs.100 each Rs.50 paid up	360.26	40.01
City Leasing and Finance Company Limited Nil (Previous year 4,00,020) Equity shares of Rs.10 each fully paid up Nil (Previous year 15,49,980) Equity shares of Rs.10 each Rs.5.50 paid up (Extinguished on merger with Chase Investments Limited)	79.24	79.24
Manhattan Credits and Finance Limited Nil (Previous year 19,50,000) Equity shares of Rs.10 each fully paid up (Extinguished on merger with Chase Investments Limited)	-	195.00
Others:		
Success Principles India Limited 1,99,673 Equity shares of Rs.10 each fully paid up	19.97	19.97
OTHER INVESTMENTS - QUOTED		
Investments in Bonds		
Indian Railway Finance Corporation Limited		
43,501 Tax Free Secured Redeemable Non-convertible Bonds of Rs.1000 each fully paid up	435.01	-
Investments in Mutual Fund		
Franklin Templeton Mutual Fund 1,83,51,130 Units of Templeton India Income Opportunities Fund -Growth of Rs.10 each 27,534 Units of Templeton India Short Term Income Retail Plan-Growth of Rs.1000 each	1889.88 477.95	1889.88 477.95
ICICI Prudential Mutual Fund 1,00,00,000 Units of ICICI Prudential FMP Series 63-384 Days Plan A-Growth of Rs. 10 each	1000.00	-
Birla Mutual Fund 24,92,990 Units of Birla Sun Life Income Plus Plan - Growth of Rs.10 each Nil (Previous year 1,43,44,047) Units of Birla Sun Life Medium Term Plan - Institutional-Growth of Rs.10 each 1,50,00,000 Units of Birla Sun Life Fixed Term Plan Series DP- Growth of Rs.10 each	616.37 -	616.37 1500.00 -
	1500.00	-



GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
12. NON CURRENT INVESTMENTS (Continued)		
IDFC Mutual Fund 50,00,000 Units of IDFC Equity Fund Plan A- Growth of Rs.10 each	500.00	500.00
HDFC Mutual Fund 1,50,00,000 Units of HDFC FMP 400D February 2012 (1) - Growth -Series XXI of Rs.10 each Nil (Previous year 24,39,162) Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs.10 each Nil (Previous year 47,67,482) Units of HDFC Short Term Plan -Growth of Rs. 10 each	1500.00 - - -	- 244.50 805.32
ING Mutual Fund 16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each	219.25	219.25
AIG Mutual Fund 9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each Nil (Previous year 9,77,995) Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each	100.00 - -	100.00 100.00
SBI Mutual Fund Nil (Previous year 10,00,000) Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each	- -	100.00
Baroda Pioneer Mutual Fund Nil (Previous year 50,00,000) Units of Baroda Pioneer PSU Bond Fund - Growth of Rs.10 each	- -	500.00
TATA Mutual Fund 1,00,00,000 Units of TATA Fixed Maturity Plan Series 39 Scheme G-Growth of Rs.10 each	1000.00	-
AXIS Mutual Fund 1,00,00,000 Units of AXIS Fixed Term Plan -Series 22 (374 Days) -Growth of Rs. 10 each	1000.00	-
HSBC Mutual Fund 1,50,00,000 Units of HSBC Fixed Term Series 86-Growth of Rs.10 each	1500.00	-
Investment in Government Securities (Unquoted)	0.36	0.36
Less: Provision for diminution in the value of investments in mutual funds	16054.79 - 16054.79	8219.60 18.00 8201.60
Aggregate value of quoted investments: Aggregate amount of unquoted investments: - Investments in equity instruments - Others	11738.46 4315.97 0.36	7035.27 1165.97 0.36
Market/Net asset value of quoted investments	4316.33	1166.33
	13254.67	8344.80

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. Deferred taxation		
Deferred tax assets		
- Accrued expenses deductible on payment	1841.65	1922.46
- Foreign currency fluctuation relating to borrowings	904.37	-
- Others	129.30	51.93
	2875.32	1974.39
Deferred tax liabilities		
- Accelerated depreciation	2103.88	1744.21
- Capital gains	19.21	28.26
- Foreign currency fluctuation relating to borrowings	-	123.11
	2123.09	1895.58
Deferred tax assets - net	752.23	78.81

14. Long-term loans and advances		
(Unsecured, considered good unless otherwise stated)		
Capital advances	993.44	1011.65
Security deposits	895.58	709.45
Loans and advances to related parties		
- Dues from subsidiary companies	1853.50	1853.50
Other loans and advances		
- Prepaid expenses	25.16	29.46
- Loans to employees	459.48	421.50
- Inter-corporate deposits	-	100.00
	4227.16	4125.56



GODFREY PHILLIPS
— INDIA LIMITED —

	Rupees in lacs	As at 31.3.2012	As at 31.3.2011
15. CURRENT INVESTMENTS			
Current portion of long-term investments (at cost)*			
Investments in Mutual Fund(Quoted)			
ICICI Prudential Mutual Fund			
Nil (Previous year 1,07,98,301) Units of ICICI Prudential FMP Series 53-1			
Year Plan A Cumulative of Rs.10 each	-	1079.83	
1,00,00,000 (Previous year 2,12,39,014)Units of ICICI Prudential Interval Fund			
Annual Interval Plan-1Institutional Cumulative of Rs.10 each	1000.70	2125.39	
Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 53-1			
Year Plan B Cumulative of Rs.10 each	-	1000.00	
Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 55-1			
Year Plan B Cumulative of Rs.10 each	-	1000.00	
72,30,240 Units of ICICI Prudential Interval Fund Annual Interval Plan-II-Growth of Rs. 10 each	1000.00	-	
1,00,00,000 Units of ICICI Prudential FMP Series 60-1 Year Plan F-Growth of Rs. 10 each	1000.00	-	
1,00,00,000 Units of ICICI Prudential FMP Series 62-1 Year Plan A-Growth of Rs. 10 each	1000.00	-	
Birla Mutual Fund			
Nil (Previous year 1,20,97,777) Units of Birla Sun Life Fixed Term Plan Series CG-Growth of Rs.10 each	-	1209.78	
Kotak Mahindra Mutual Fund			
Nil (Previous year 1,00,00,000) Units of Kotak FMP Series 34-Growth of Rs.10 each	-	1000.00	
HDFC Mutual Fund			
Nil (Previous year 98,22,484) Units of HDFC 370 D July 2010 (1)-Growth-Series XV of Rs.10 each	-	982.25	
Nil (Previous year 1,00,00,000) Units of HDFC FMP 370 D September 2010 (2)-Growth-Series XV of Rs.10 each	-	1000.00	
Nil (Previous year 1,23,70,391) Units of HDFC FMP 370 D February 2011 (1)-Growth-Series XVI of Rs.10 each	-	1237.04	
1,00,00,000 Units of HDFC FMP 13M September 2011(1)-Growth-Series XVIII of Rs.10 each	1000.00	-	
1,00,00,000 Units of HDFC FMP 370D October 2011 (1) - Growth-Series XIX of Rs.10 each	1000.00	-	
1,00,00,000 Units of HDFC FMP 370D November 2011 (2) - Growth-Series XIX of Rs.10 each	1000.00	-	
HSBC Mutual Fund			
Nil (Previous year 1,00,00,000) Units of HSBC Fixed Series 79-Growth of Rs.10 each	-	1000.00	
1,00,00,000 Units of HSBC Fixed Term Series 82-Growth of Rs.10 each	1000.00	-	
Principal Mutual Fund			
Nil (Previous year 51,96,944) Units of Principal PNB Fixed Maturity Plan (FMP 62) 367 Days Series 1-Sep 10-Regular Growth Plan of Rs.10 each	-	519.69	
Reliance Mutual Fund			
Nil (Previous year 2,06,32,507) Units of Reliance Fixed Horizon Fund -XV-Series 5-Growth Plan of Rs.10 each	-	2063.25	
Nil (Previous year 1,63,40,035) Units of Reliance Fixed Horizon Fund -XVI Series 3-Growth Plan of Rs.10 each	-	1634.00	
Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XVI Series 2-Growth Plan of Rs.10 each	-	1000.00	
1,00,00,000 Units of Reliance Fixed Horizon Fund -XIX-Series 10-Growth Plan of Rs.10 each	1000.00	1000.00	
1,50,00,000 Units of Reliance Fixed Horizon Fund -XIX-Series 4 -Growth Plan of Rs.10 each	1500.00	-	
1,00,00,000 Units of Reliance Fixed Horizon Fund -XX-Series 22 -Growth Plan of Rs.10 each	1000.00	-	
1,00,00,000 Units of Reliance Fixed Horizon Fund -XXI-Series 14 -Growth Plan of Rs.10 each	1000.00	-	

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
15. CURRENT INVESTMENTS (Continued)		
TATA Mutual Fund		
Nil (Previous year 1,00,00,000) Units of TATA Fixed Maturity Plan Series 31 Scheme B-Growth of Rs.10 each	-	1000.00
1,50,00,000 Units of TATA Fixed Maturity Plan Series 37 Scheme C-Growth of Rs.10 each	1500.00	-
1,00,00,000 Units of TATA Fixed Maturity Plan Series 34 Scheme B-Growth of Rs.10 each	1000.00	-
BNP Paribas Mutual Fund		
Nil (Previous year 1,00,00,000) Units of BNP Paribas Fixed Term Fund Series 17C Growth of Rs.10 each	-	1000.00
Sundaram Mutual Fund		
Nil (Previous year 1,00,00,000) Units of Sundaram Fixed Term Plan AQ 367 Days Growth of Rs.10 each	-	1000.00
Nil (Previous year 1,20,00,000) Units of Sundaram Fixed Term Plan AW 366 Days Growth of Rs.10 each	-	1200.00
60,00,000 Units of Sundaram Fixed Term Plan BK 366 Days-Growth of Rs.10 each	600.00	-
1,00,00,000 Units of Sundaram Fixed Term Plan CA 366 Days-Growth of Rs.10 each	1000.00	-
1,00,00,000 Units of Sundaram Fixed Term Plan CL 366 Days-Growth of Rs.10 each	1000.00	-
SBI Mutual Fund		
Nil (Previous year 1,00,00,000) Units of SBI Debt Fund Series-370 Days -10-Growth of Rs.10 each	-	1000.00
JPMorgan Mutual Fund		
Nil (Previous year 80,00,000) Units of JPMorgan India Fixed Maturity Plan 400D Series 1-Growth Plan of Rs.10 each	-	800.00
Deutsche Mutual Fund		
Nil (Previous year 26,59,642) Units of DWS Insta Cash Plus Fund - Regular Plan Bonus Option-Bonus of Rs.10 each	-	261.35
18,15,538 Units of DWS Ultra Short Term Fund - Regular Plan Bonus of Rs.10 each	177.63	-
DSP BlackRock Mutual Fund		
1,00,00,000 Units of DSP BlackRock FMP Series 16-12 M-Growth of Rs. 10 each	1000.00	-
UTI Mutual Fund		
1,00,00,000 Units of UTI Fixed Term Income Fund-Series X-VII (368 Days)-Growth Plan of Rs. 10 each	1000.00	-
Total	19778.33	24112.58
Aggregate value of quoted investments	19778.33	24112.58
Net asset value of quoted investments	20678.42	24718.64

* Long term investments having a maturity of less than 12 months from the balance sheet date.



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
16. Inventories		
At lower of cost and net realisable value:		
Raw and packing materials*	26624.92	22529.28
Work-in-process	311.16	354.47
Finished goods - Cigarettes	7080.07	8848.25
- Chewing products	251.00	-
Real estate#	-	405.69
Traded goods**	2555.75	1949.84
At cost or under:		
Stores and spare parts***	892.83	832.01
	37715.73	34919.54

Includes land at revalued cost

* Includes goods in transit Rs.561.69 lacs (Previous year Rs.247.24 lacs)

** Includes goods in transit Rs.176.51 lacs (Previous year Rs.899.38 lacs)

*** Includes goods in transit Rs.12.30 lacs (Previous year Rs.4.02 lacs)

17. Trade Receivables		
Outstanding for a period exceeding 6 months from the date they are due for payment		
Unsecured - considered good	27.42	10.04
- considered doubtful	53.89	53.89
	81.31	63.93
Less: Allowances for doubtful receivables	53.89	53.89
	27.42	10.04
Others		
Unsecured-considered good	7467.53	4528.56
	7467.53	4528.56
	7494.95	4538.60

18. Cash and cash equivalents		
Cash on hand	30.40	36.51
Cheques, drafts on hand	42.91	10.32
Balances with Banks		
-In current accounts	1099.92	963.12
-In term deposit accounts	-	1700.00
-In earmarked accounts for		
-Margin money	844.97	2272.29
-Unpaid dividend, fixed deposits interest and preference shares/debentures redemption	166.31	166.42
-Fixed deposit receipts lodged with government authorities	1.57	1.57
	2186.08	5150.23

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
19. Short Term Loans and advances		
(Unsecured, considered good unless otherwise stated)		
Loans and advances to related parties		
- Dues from officers/directors of the Company	6.11	9.10
- Dues from subsidiary companies	179.43	3098.26
- Dues from associate companies	271.67	60.78
- Dues from other related parties	10.56	8.19
Others		
- Inter-corporate deposits	200.00	-
- With excise and customs on current/cenvat accounts	4197.32	547.66
- Income-tax recoverable	915.31	478.00
- Security deposits	134.38	146.27
- Prepaid expenses	148.86	176.20
- Loans to employees	121.95	140.83
- Others	1510.03	1741.89
	7695.62	6407.18

20. Other Current Assets		
Interest accrued on bank deposits	20.64	32.19
Export incentives accrued/available	1318.03	1726.76
	1338.67	1758.95



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Rupees in lacs

	Year ended 31.3.2012	Year ended 31.3.2011
21. Revenue from operations		
Sale of products (Refer Note 42)	334926.39	<u>305732.42</u>
Other operating revenues		
Export incentives	1186.56	1205.57
Rent and hire charges (gross) from:		
- Subsidiary companies	4.80	4.80
- Others	130.28	56.82
Interest income (gross) from:		
- Subsidiary companies	153.34	310.06
- Debts, deposits, loans and advances, etc.	194.83	146.89
Liabilities no longer required, written back	-	209.82
Receipts from secondment of services	1171.28	-
Scrap sales	280.55	293.34
Sundries	776.63	616.48
	3898.27	<u>2843.78</u>
Total revenue from operations	338824.66	308576.20
Less: Excise duty	147644.38	145487.54
	191180.28	<u>163088.66</u>
22. Other income		
Interest income (gross) from:		
- Subsidiary companies	97.58	90.65
- Debts, deposits, loans and advances, etc.	150.54	157.08
- Long-term investments	3.62	-
Net gain on sale/redemption of:		
- Long-term investments	2166.04	807.50
- Current investments	499.88	347.11
Dividend income from current and long-term investments	97.72	355.53
Provision made for decline in the value of long-term investments written back	18.00	146.00
Foreign currency fluctuation	-	482.20
	3033.38	<u>2386.07</u>
23. Cost of materials consumed		
(Raw and packing materials)		
Unmanufactured and blended tobacco	21070.18	22338.71
Cigarette paper	752.17	797.58
Cardboard (shells, slides and others)	7965.91	8165.52
Filter rods	4522.53	4486.89
Aluminium foil/Metallised paper	1389.34	1377.68
Cellulose paper	825.07	871.64
Flavours for chewing products	2703.10	611.04
Betel nut	2096.47	486.14
Katha, lime and bulking agent	930.63	215.41
Paper/Laminate pouches for chewing products	1851.60	292.60
Miscellaneous	5498.29	4335.83
	49605.29	<u>43979.04</u>

Rupees in lacs

	Year ended 31.3.2012	Year ended 31.3.2011
24. Purchases of traded goods		
Unmanufactured tobacco (including transferred from raw and packing materials)	11075.16	9155.62
Cigarettes	3667.06	867.60
Other goods-Tea, etc. (including packing materials and processing charges)	11384.37	8553.17
	26126.59	18576.39

25. Changes in Inventories of Finished goods, Work-in-process and Traded goods			
Opening stock:			
- Work-in-process	354.47	319.37	
- Finished goods - Cigarettes	8848.25	7303.35	
- Chewing products	-	24.26	
- Traded goods	1949.84	3022.84	
- Real estate	405.69	405.69	
	11558.25	11075.51	
Closing stock:			
- Work-in-process	311.16	354.47	
- Finished goods - Cigarettes	7080.07	8848.25	
- Chewing products	251.00	-	
- Traded goods	2555.75	1949.84	
- Real estate	-	405.69	
	10197.98	11558.25	
(Increase)/decrease	1360.27		(482.74)
Less:			
- Real estate stock converted to fixed assets	169.53	-	
- Transfer from revaluation reserve on conversion of real estate stock to fixed assets	236.16	405.69	-
	954.58	-	(482.74)

26. Employee Benefits Expenses		
Salaries, wages, bonus, etc.	13516.48	11357.89
Contribution to provident and other funds	923.48	744.67
Workmen and staff welfare expenses	1059.72	876.34
Contribution to gratuity and superannuation fund	753.99	900.52
	16253.67	13879.42

27. Finance Costs		
Interest expenses on:		
- Borrowings	1452.09	965.92
- Others	144.18	19.26
Other borrowing costs	173.59	248.03
Foreign currency fluctuations (considered as finance cost)	1395.28	124.17
	3165.14	1357.38



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Rupees in lacs

	Year ended 31.3.2012		Year ended 31.3.2011
28. Other Expenses			
Manufacturing charges paid to a subsidiary company for cigarette/tobacco manufactured on our behalf	4381.70		4221.05
Increase/(decrease) in excise duty on finished goods	(1586.82)		1280.38
Consumption of stores and spare parts*	130.16		62.54
Power and fuel	1134.34		944.53
Rent	1604.18		1609.58
Repairs and maintenance			
- Buildings	227.35		413.82
- Machinery	722.29		634.44
- Others	424.35		411.85
Insurance	390.66		336.16
Rates and taxes	4125.71		4172.61
Freight and cartage	2966.33		2269.55
Legal and professional expenses	5150.48		4719.23
Auditors' Remuneration (net of service tax)			
- Audit fees	46.00	46.00	
- For tax audit	12.50	11.00	
- For limited review of unaudited financial statements	34.50	30.00	
- For corporate governance, consolidated financial statements and other certificates	5.00	4.50	
- For other services	-	10.00	
- Reimbursement of expenses	5.97	103.97	3.70
Cash discount	136.50		138.91
Commission paid to other than sole selling agents	194.20		143.53
Advertising and sales promotion	27409.76		24193.73
Selling and distribution expenses	4397.46		3846.81
Travelling and conveyance	2869.56		2364.80
Donations	513.72		212.58
Bad debts and advances written off	35.78		2.77
Fixed assets written off	46.26		59.73
Loss on sale of fixed assets	138.66		98.51
Technical services fee and royalty	1193.02		1094.98
Foreign currency fluctuation	2341.24		-
Consumer research activity	1475.53		1421.41
Machine and material handling expenses	336.99		360.75
Miscellaneous expenses	5258.39		4898.13
	66121.77		60017.58
*Excludes consumption of stores and spare parts charged to repair and maintenance-machinery	594.06		490.70

29. Amounts in Notes 26 and 28 are net of pre-operative expenses charged to capital accounts as per details below::

(i) Salaries, wages, bonus, etc.	216.14	129.61
(ii) Contribution to provident and other funds	13.67	8.87
(iii) Workmen and staff welfare expenses	23.11	12.88
(iv) Consumption of stores and spare parts	156.42	28.35
(v) Power and fuel	97.40	31.99
(vi) Rates and taxes	31.10	25.82
(vii) Legal and professional expenses	3.88	6.63
(viii) Travelling and conveyance	5.91	62.79
(ix) Miscellaneous expenses	189.13	123.17

	For the year ended 31.3.2012	For the year ended 31.3.2011
30. Earnings per share has been computed as under:		
(a) Net profit as per statement of profit and loss (Rs. lacs).	18,136.27	16,603.35
(b) Weighted average number of equity shares outstanding	1,03,98,784	1,03,98,784
(c) Basic and diluted earnings per share -Rupees (Face value of share - Rs.10 each)	174.41	159.67
31. REMUNERATION OF DIRECTORS		Rupees in lacs
a) Included in Expenses are:		
Salaries*	228.00	224.25
Monetary value of benefits	38.10	111.51
Commission**	246.00	205.58
Sitting fees	7.80	9.00
	519.90	550.34
*excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.		
**includes Rs.110.00 lacs (previous year Rs.73.33 lacs) payable to a non-working director.		
b) Computation of directors' commission and net profit in accordance with Section 198 of the Companies Act, 1956	25723.49	24147.37
Profit before tax	519.90	550.34
Add/(less):	(2166.04)	(807.50)
Directors' remuneration	24077.35	23890.21
Profit on sale/redemption of other long term investments	2407.74	2389.02
Maximum remuneration to working directors @ 10% of above	402.10	468.01
Restricted to	240.77	238.90
Maximum remuneration to non-working directors @ 1% of above	110.00	73.33
32. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT		
Revenue expenditure	973.75	855.90
Capital expenditure	125.41	148.67
33. CONTINGENT LIABILITIES NOT PROVIDED FOR	As at 31.3.2012	As at 31.3.2011
a) Demands from excise, income tax, sales tax and other authorities disputed by the Company @	2459.27*	2524.93
b) Uncalled liability on shares partly paid	79.24	148.99
c) Surety given to U.P. Trade Tax Authority on behalf of subsidiary company-International Tobacco Company Limited	-	15.66
d) Guarantee given to a bank on behalf of subsidiary company – International Tobacco Company Limited	54.29	46.79

*includes Rs.1784.86 lacs (previous year Rs.1702.65 lacs) relating to demands received by the subsidiary company – International Tobacco Company Limited.

@ all these matters are subject to legal proceedings in the ordinary course of business and in the opinion of the Company, these are not expected to have material effect on the financial results of the Company when ultimately concluded.



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34. The following are the particulars of dues on account of sales tax, excise duty and income-tax as at March 31, 2012 that have been disputed by the Company in appeals pending before the appellate authorities:

Name of the statute	Nature of the dues	Amount of dues* (Rs. lacs)	Amount deposited (Rs. lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Laws	Sales tax	17.71	11.28	1995-96, 2001-02, 2006-07	Sales Tax Tribunal
		53.35	24.84	1998-99 to 1999-00, 2005-06 to 2007-08, 2009-10 to 2010-11	Upto Commissioners' Level
		6.48	6.48	2006-07	High Court
Central Excise Law	Excise duty	6.93	-	2009-10 to 2010-11	Upto Commissioners' Level
		564.84	-	2002-03 to 2006-07, 2008-09 to 2010-11	Customs, Excise & Service Tax Appellate Tribunal
Income Tax Law	Income tax	244.00**	244.00	1979 to 1982, 1995-96 to 1997-98	High Court
		58.32**	58.32	2005-06 to 2008-09	Income Tax Appellate Tribunal
		275.83**	271.89	1999-00, 2002-03 to 2008-09	Upto Commissioners' Level

* amount as per demand orders, including interest and penalty, where quantified in the Order.

** provided for in the accounts.

Further, there are no dues of wealth tax, customs duty and service tax which have not been deposited on account of any disputes.

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:

Name of the statute	Nature	Amount (Rs. lacs)	Period to which the amount relates	Forum where department has preferred appeal
Income Tax Law	Income tax	340.54	1969, 1974 to 1977, 1991-92 to 1994- 95, 2001-02, 2003-04	High Court
		3.84	2005-2006	Income Tax Appellate Tribunal
		6.07	2000-01	Upto Commissioners' Level
U.P. Krishi Utpadan Mandi Adhiniyam	Mandi cess	108.20	1997-98 to 1998-99	Supreme Court
Central Excise Law	Excise duty	27.71	2009-10, 2010-11	Customs, Excise & Service Tax Appellate Tribunal
Sales Tax Laws	Sales tax	10.40	2007-08	High Court

35. The Company and its contract manufacturer have received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Company does not consider these to constitute a liability of any kind.
36. The estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances) amount to Rs.5642.29 lacs (previous year- Rs.19369.47 lacs).

The Company has other commitments, for purchases/sales orders which are issued after considering requirements per operating cycle for purchase/sale of goods and services and employee benefits including union agreements, in normal course of business. The Company does not have any other long term commitments or material non-cancellable contractual commitments/contracts, which might have material impact on the financial statements.

37. Amount due to micro and small enterprises covered under "The Micro, Small and Medium Enterprises Act, 2006" has been disclosed to the extent such parties having been identified from the available information. The Company has not received any claim for interest from any party covered under the said Act.
38. The Company has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and range between two to three years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Note 28.

The future minimum lease payments in respect of non-cancellable periods of certain operating leases are as under:

- (i) for periods not later than one year – Rs.207.85 lacs (previous year – Rs.118.22 lacs)
- (ii) for periods between later than one year and less than five years – Rs.406.52 lacs (previous year – Rs.216.65 lacs).
- (iii) For period later than five years- Rs.80.73 Lacs (previous year Rs. Nil).

The Company has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges receivable in respect thereof have been accrued as income in Note 21.

39. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Subsidiary companies:

International Tobacco Company Limited
 Chase Investments Limited
 Manhattan Credits and Finance Limited (merged with Chase Investments Limited in current year)
 City Leasing and Finance Company Limited (merged with Chase Investments Limited in current year)

(b) Subsidiaries of the subsidiary companies:

Kashyap Metal and Allied Industries Limited
 Unique Space Developers Limited
 Rajputana Infrastructure Corporate Limited (subsidiary of Kashyap Metal and Allied Industries Limited)
 Gopal Krishna Infrastructure & Real Estate Limited (subsidiary of Unique Space Developers Limited)



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(c) Associates:

Philip Morris Global Brands Inc. (Formerly Philip Morris International Finance Corporation), which the Company is an associate.
Success Principles India Limited, an associate of the Company.
IPM India Wholesale Trading Private Limited, an associate of the Company.
KKM Management Centre Private Limited, an associate of the Company .

(d) Key management personnel and their relatives:

Mr. K.K. Modi	President and Managing Director
Mr. Samir Kumar Modi	Executive Director
Mr. Lalit Kumar Modi	Executive Director (upto July 31, 2010) and Ordinary Director thereafter and a relative of Mr. K.K.Modi and Mr. Samir Kumar Modi
Mr. R. Ramamurthy	Whole-time Director

(e) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modicare Limited
Modern Homecare Products Limited
Beacon Travels Private Limited
Indofil Industries Limited
Assam Cigarette Company Private Limited
R C Tobacco Private Limited
HMA Udyog Private Limited
Bina Fashion N Food Private Limited
Modicare Foundation
Priyal Hitay Nidhi
Colorbar Cosmetics Private Limited
Gujarmal Modi Science Foundation
Modi Healthcare Placement India Private Limited
Modi Innovative Education Society

(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

Nature of transactions	Subsidiary companies			Associates			Key management personnel and their relatives			Enterprises over which significant influence exists	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
Sale of goods, spare parts, etc.	23.68	19.41	9899.73@	6872.00@	-	-	104.39	103.69			
Purchase of goods/services	20.24	14.80	3667.07@	867.60@	-	-	1750.16#	984.39#			
Sale of assets	-	-	1171.28@	-	-	-	-	-			
Receipts from secondment of services	250.92**	400.71**	19.30@	15.58@	-	-	-	-			
Interest income	-	-	67.28@	62.48@	-	-	-	-			
Miscellaneous Income	4.80	4.80	70.20@	-	-	-	60.07	56.82			
Rent and hire charges received	-	-	-	-	-	-	-	-			
Manufacturing charges paid	-	-	-	-	-	-	-	-			
- International Tobacco Company Ltd.	4381.70	4221.05	1310.80@	-	-	-	12.71	16.16			
Rent paid	-	-	-	-	-	-	-	-			
Payments for professional services availed	-	-	-	-	-	-	-	-			
Payments for employees on deputation	-	-	-	-	-	-	-	-			
Donation given	-	-	-	-	-	-	-	-			
Expenses recovered	8.19	12.74	3016.70@	2282.53@	-	-	423.85	79.20			
Expenses reimbursed	96247.26*	97976.11*	16.15@	0.43@	-	-	1.06	122.70			
Expenses reimbursed	-	-	-	-	-	-	1.53	21.36			
Balance written off	-	-	-	-	-	-	-	3.88			
Dividend payment (gross)	-	-	-	-	-	-	-	-			
- Philip Morris Global Brands Inc.	-	-	-	-	-	-	-	-			
(Formerly Philip Morris	-	-	-	-	-	-	-	-			
International Finance Corporation)	-	-	-	-	-	-	-	-			
Subscription to equity shares of	-	-	-	-	-	-	-	-			
- International Tobacco Company Ltd.	-	-	-	-	-	-	-	-			
- KKM Management Centre Private Limited	-	-	-	-	-	-	-	-			
Managerial remuneration ##	-	-	-	-	-	-	-	-			
- K.K.Modi	-	-	-	-	-	-	-	-			
- Lalit Kumar Modi	-	-	-	-	-	-	-	-			
- Samir Kumar Modi	-	-	-	-	-	-	-	-			
- R.Ramamurthy	-	-	-	-	-	-	-	-			
Balance outstanding as at the year end	-	-	-	-	-	-	-	-			
- Trade receivables	-	-	-	-	-	-	-	-			
- Loans and advances	-	-	-	-	-	-	-	-			
- Trade payables	-	-	-	-	-	-	-	-			
- Surely given by International Tobacco Company Ltd. on behalf of the Company to U.P.Trade Tax Authority	13.41	357.78	-	-	-	-	-	-			
- Surely given by the Company on behalf of International Tobacco Company Ltd. to U.P. Trade Tax Authority	-	15.66	-	-	-	-	-	-			
- Guarantees given by the Company to a bank on behalf of International Tobacco Company Ltd.	54.29	46.79	-	-	-	-	-	-			

@Relates to IPM India Wholesale Trading Private Limited

@@Relates to KKM Management Centre Private Limited

* comprising reimbursement to wholly owned subsidiary, International Tobacco Company Limited for payments made by them for and on behalf of the Company under the contract manufacturing arrangement, out of the funds made available by the Company

** comprising of Rs. 153.34 lacs (previous year Rs. 310.06 lacs) from International Tobacco Company Limited and Rs.97.58 lacs (previous year Rs.90.65 lacs) from Kashiyap Metal and Allied Industries Limited.

***comprising of Rs.1941.33 lacs (previous year Rs.1935.09 lacs) due from Kashiyap Metal and Allied Industries Limited and Rs.91.60 lacs (previous year Rs.301.6.67 lacs) due from International Tobacco Company Limited.

includes Rs. 1460.20 lacs (previous year Rs. 829.78 lacs) from Beacon Travels Private Ltd.

excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

60 40. Segment reporting disclosures under Accounting Standard 17

(A) Business segments:
Based on the guiding principles given in Accounting Standard-17 "Segment Reporting", the Company's primary business segments are (a) Cigarette and tobacco products; and (b) Tea and other retail products.

(B) Geographical segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

Financial information about the primary business segments is presented in the table below:

	Rupees in lacs		
	Cigarette and tobacco products	Tea and other retail products	Total
	For the year ended March 31, 2012		
1.	Segment revenue - External sales (gross)		
	- Less : Excise duty		
	- Net sales		
	- Other operating income		
	- Total		
	- Unallocable income		
	Total revenue		
2.	Segment result		
	- Unallocable income net of unallocable expenses		
	Profit before finance costs and tax		
	- Finance costs		
	- Tax expense		
	Profit after tax		
3.	Other information		
a)	Segment assets		
	- Unallocable assets/investments		
	Total assets		
b)	Segment liabilities		
	- Share capital and reserves		
	- Unallocable liabilities		
	Total liabilities		
c)	Capital expenditure including capital work in progress		
d)	Depreciation and amortization		
e)	Non cash expenditure other than depreciation		

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 1, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expenses only include items directly attributable to the segment. They do not include investment income, interest income from inter-corporate deposits and loans given, dividend income, profit or loss on sale of investments, provision for diminution in value of investments, finance cost, donations and provision for taxation (current and deferred tax). Since the corporate office of the Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments, inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits' unclaimed interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current and deferred tax).

41. Employee Benefits

The Company has classified the various benefits provided to employees as under -

I. Defined contribution plans and amounts recognized in the statement of profit and loss

Rs. in Lacs	Current year	Previous year
- Employers' contribution to provident fund and employee's pension scheme	923.48	744.67
- Employers' contribution to superannuation fund	186.28	180.28
- Employers' contribution to employee's state insurance	10.04	6.49

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in the statement of profit and loss– Rs.842.57 lacs; previous year Rs.737.23 lacs.

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same are given below:



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	Gratuity (Funded)	
	Current year	Previous year
A) Principal Assumptions		
● Discount rate (per annum)	8.30%	8.10%
● Rate of increase in compensation levels		Management: 9% p.a. for first 2 years & 7% p.a. thereafter
● Expected rate of return on plan assets	9% p.a. for first 2 years & 7% p.a. thereafter	9% p.a. for first 3 years & 7% p.a. thereafter
● Expected average remaining working lives of employees	7%	Non Management: 7%
● Retirement age	7.50%	7.50%
	11.06 years	11.41 years
	58 years	58 years
	Rs. in Lacs	
	Current year	Previous year
B) Changes in the present value of obligation		
● Present value of obligation as at the beginning of the year	4213.58	3551.73
● Interest cost	326.58	271.32
● Current service cost	268.71	199.03
● Benefits paid	(279.32)	(353.78)
● Actuarial (gain)/loss on obligations	378.14	545.28
● Present value of obligation as at the end of the year	4907.69	4213.58
C) Change in the fair value of plan assets		
● Fair value of plan assets as at the beginning of the year	3477.78	3261.15
● Expected return on plan assets	231.17	226.81
● Actuarial gain/(loss) on plan assets	144.82	36.46
● Contributions received	720.24	307.14
● Benefits paid	(279.32)	(353.78)
● Fair value of plan assets as at the end of the year	4294.69	3477.78
D) (Shortfall)/excess of fair value over book value of plan assets	(45.29)	(15.56)
E) Net liability recognized in the balance sheet (B-C+D)	567.71	720.24
F) Constitution of plan assets		
● Government Securities	1036.63	1055.23
● Corporate Bonds	1210.84	1303.93
● Special Deposit Scheme	-	18.97
● Insurer Managed Funds	2052.39	1080.14
● Others	(5.17)	19.51
● Total	4294.69	3477.78
G) Expenses recognized in the profit and loss account		
● Current service cost	268.71	199.03
● Interest cost	326.58	271.32
● Expected return on plan assets	(231.17)	(226.81)
● Net actuarial (gain)/ loss	233.32	508.82
● (Shortfall)/excess of fair value over book value of plan assets-incremental	(29.73)	(32.12)
● Total	567.71	720.24

H) Experience adjustments

Particulars	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11	Rupees in lacs 31-Mar-12
Defined benefit obligation	2610.63	3183.26	3551.73	4213.58	4907.69
Plan assets	2052.79	2611.94	3261.15	3477.78	4294.69
Surplus/(deficit)	(557.84)	(571.32)	(290.58)	(735.80)	(613.00)
Experience adjustment on plan liabilities	204.70	294.36	477.31	512.10	457.77
Experience adjustment on plan assets	(34.35)	118.12	53.42	36.46	144.82

				For the year ended 31.3.2012		For the year ended 31.3.2011
42. Turnover and stocks						
a) Particulars of sales (gross)**						
- Cigarettes		Million	17120	288353.58	17642	274789.41
- Unmanufactured tobacco		Tonne	7948	13136.50	6424	10455.30
- Chewing products		Tonne	1165	12129.30	277	2435.51
- Traded goods				21307.01		18052.20
				334926.39		<u>305732.42</u>
b) Details of stock-in-trade						
i) Opening stocks		Million	725	8848.25	622	7303.35
- Cigarettes		Tonne	-	-	3	24.26
- Chewing products				405.69		405.69
- Real estate				1949.84		3022.84
- Traded goods						
ii) Closing stocks		Million	574	7080.07	725	8848.25
- Cigarettes		Tonne	31	251.00	-	-
- Chewing products				-		405.69
- Real estate						1949.84
- Traded goods				2555.75		

** excludes samples, write-offs, etc.

43. Value of imported and indigenous raw and packing materials and spare parts

	% of total consumption	Rs. in lacs	% of total consumption	Rs. in lacs
(A) Raw and packing materials				
i) Imported	10.50	5210.98	9.93	4368.92
ii) Indigenous	89.50	44394.31	90.07	39610.12
	100.00	49605.29	100.00	43979.04
(B) Spare parts				
i) Imported	44.21	262.64	61.67	302.60
ii) Indigenous	55.79	331.42	38.33	188.10
	100.00	594.06	100.00	490.70



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

	For the year ended 31.3.2012	For the year ended 31.3.2011
44. Earnings in foreign exchange		
a) Export of goods on F.O.B. basis	31186.33	27776.51
b) Others including freight, etc.	696.18	659.52
	31882.51	28436.03
45. Value of imports on C.I.F. basis (including those in transit)		
i) Raw materials	4551.86	4163.88
ii) Components and spare parts	334.38	264.69
iii) Capital goods	18618.68	5242.46
iv) Purchases for resale - cigars, etc.	75.44	-
	23580.36	9671.03
46. Expenditure in foreign currencies (net of tax, where applicable)		
Technical services fee and royalty	1073.72	924.40
Professional/technical consultancy fees	1471.67	405.30
Interest	1259.75	872.54
Others	700.51	650.39
	4505.65	2852.63
47. Dividends remittance to non-resident shareholders in foreign currency		
Amount of dividends	913.53	652.52
Number of non-resident shareholders to whom remittances made	1	1
Number of shares on which remittances made	26,10,095	26,10,095
Year for which dividends remitted (year ended)	31.3.2011	31.3.2010
48. (a) Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:		

Particulars	As at 31.3.2012		As at 31.3.2011	
	Amount in foreign currency (Lacs)	Amount in Rs. in Lacs	Amount in foreign currency (Lacs)	Amount in Rs. in Lacs
Loan Funds	580.46 USD	29911.76	444.62 USD	20083.46
Sundry debtors	27.61 USD	1400.10	80.89 USD	3580.19
	0.01 EURO	0.62	0.02 EURO	1.24
	6.29 GBP	507.98	4.36 GBP	307.77
Current liabilities and provisions	41.37 USD	2131.80	23.33 USD	1053.82
	8.68 EURO	599.35	5.04 EURO	322.16
	0.15 GBP	12.39	0.62 GBP	44.95
	0.01 SGD	0.61	-	-
	-	-	0.09 CHF	4.42
(b). Derivative instrument outstanding as at year end: Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon	51573 JPY	29515.93	42926 JPY	20083.46

49. The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified, wherever considered necessary to conform to the current year's classification/disclosure.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

SUNIL AGRAWAL
Chief Financial Officer

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

Place : New Delhi
Date : May 29, 2012

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Directors

CONSOLIDATED FINANCIAL STATEMENTS



AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GODFREY PHILLIPS INDIA LIMITED

1. We have audited the attached Consolidated Balance Sheet of Godfrey Phillips India Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted for on the equity method in accordance with Accounting Standard (AS) 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries viz., Chase Investments Limited, Kashyap Metal and Allied Industries Limited, Rajputana Infrastructure Corporate Limited, Unique Space Developers Limited and Gopal Krishna Infrastructure & Real Estate Limited whose financial statements reflect total assets of Rs. 3403.87 lacs as at March 31, 2012, total revenues of Rs. 41.79 lacs and net cash outflows amounting to Rs. 13.39 lacs for the year ended on that date and associates viz. Success Principles India Limited and KKM Management Centre Private Limited whose financial statements reflect the Group's share of profit upto March 31, 2012 of Rs. 56.57 lacs and the Group's share of profit of Rs. 16.63 lacs for the year ended on that date as considered in the Consolidated Financial Statements and in respect of IPM India Wholesale Trading Private Limited, an associate, whose financial statements reflect the Group's share of loss upto March 31, 2012 of Rs. 496.00 lakhs and Group's share of loss of Rs. Nil for the year ended on that date as considered in the Consolidated Financial Statements where the financial statements considered are for the period from January 1, 2011 to December 31, 2011.

These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and associates are based solely on the reports of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) - 21 (Consolidated Financial Statements) and Accounting Standard (AS) - 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, and the aforesaid subsidiaries and associates and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
 - b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)

Place: New Delhi
Date : May 29, 2012

Jaideep Bhargava
Partner
(Membership No. 90295)



GODFREY PHILLIPS
INDIA LIMITED

CONSOLIDATED BALANCE SHEET

as at March 31, 2012

Rupees in lacs

Particulars	Note No.	As at 31.3.2012	As at 31.3.2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1039.88	1039.88
Reserves and surplus	4	92565.78	79486.37
		93605.66	<u>80526.25</u>
Minority interests		203.91	232.02
Non-current liabilities			
Long-term borrowings	5	23188.50	16817.23
Deferred tax liabilities (net)	14	-	24.93
Other long-term liabilities	6	19.50	22.65
Long-term provisions	7	3312.94	2738.72
		26520.94	<u>19603.53</u>
Current liabilities			
Short-term borrowings	8	3436.69	2468.42
Trade payables	9	12152.06	10219.54
Other current liabilities	10	23961.51	19608.63
Short-term provisions	11	6323.92	5822.00
		45874.18	<u>38118.59</u>
TOTAL		166204.69	<u>138480.39</u>
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	12	56262.18	31907.18
- Intangible assets	12	231.85	293.86
- Capital work-in-progress	12	13899.79	18202.85
Goodwill on consolidation		165.49	165.49
Non-current investments	13	12669.05	8069.56
Deferred tax assets (net)	14	598.39	-
Long-term loans and advances	15	4879.87	4708.95
		88706.62	<u>63347.89</u>
Current assets			
Current investments	16	19857.33	24126.02
Inventories	17	38167.62	35396.11
Trade receivables	18	7494.95	4538.60
Cash and cash equivalents	19	2414.82	5398.71
Short-term loans and advances	20	8216.79	3907.70
Other current assets	21	1346.56	1765.36
		77498.07	<u>75132.50</u>
TOTAL		166204.69	<u>138480.39</u>
Accompanying notes 1 to 43 form part of the consolidated financial statements			

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

R.A. SHAH
Chairman

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

K.K. MODI
President

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Jaideep Bhargava
Partner

S. SERU
Chief Executive

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Place : New Delhi
Date : May 29, 2012

SUNIL AGRAWAL
Chief Financial Officer

Directors

**CONSOLIDATED STATEMENT OF
PROFIT AND LOSS ACCOUNT**
for the year ended March 31, 2012



Rupees in lacs

Particulars	Note No.	Year ended 31.3.2012	Year ended 31.3.2011
INCOME			
Revenue from operations	22	338694.14	308323.86
Less: Excise duty		147644.38	145487.54
		191049.76	162836.32
Other income	23	2966.93	2317.24
TOTAL REVENUE		194016.69	165153.56
EXPENSES			
Cost of materials consumed	24	49605.29	43979.04
Purchases of traded goods	25	26126.59	18576.39
Changes in inventories of finished goods, work-in-process and traded goods	26	939.47	(484.20)
Employee benefits expenses	27	18041.04	15782.50
Finance costs	28	3165.49	1361.73
Depreciation and amortization expenses	12	6687.34	4392.07
Other expenses	29	63721.63	57411.21
TOTAL EXPENSES		168286.85	141018.74
Profit before tax		25729.84	24134.82
Tax expense:			
Current tax		8260.11	7745.01
MAT credit entitlement		(12.07)	-
Deferred tax (credit)/charge		(623.32)	(197.02)
Profit after tax but before results of associates and minority interest		18105.12	16586.83
Share of net profit/(loss) of associates		16.63	1.03
Profit after tax but before minority interests		18121.75	16587.86
Minority interests		(28.11)	(25.38)
Net profit		18149.86	16613.24
Earnings per equity share- basic/diluted	31	Rs.174.54	Rs. 159.76
(Face value of share - Rs.10 each)			
Accompanying notes 1 to 43 form part of the consolidated financial statements			

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

Jaideep Bhargava
Partner

Place : New Delhi
Date : May 29, 2012

S. SERU
Chief Executive

SUNIL AGRAWAL
Chief Financial Officer

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

For and on behalf of the Board of Directors

R.A. SHAH
Chairman

K.K. MODI
President

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2012

Rupees in lacs

		For the year ended 31.3.2012	For the year ended 31.3.2011
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		25,729.84	24,134.82
Adjustments for:			
Depreciation and amortization		6,687.34	4,392.07
Interest income from debts, deposits, loans and advances, etc.		(363.36)	(323.77)
Dividends from current and long-term investments		(113.50)	(368.07)
Interest income from long-term investments		(3.62)	-
Profit on redemption/sale of long-term investments		(2,169.91)	(838.39)
Profit on sale of current investments		(499.88)	(347.11)
Exchange (gain)/loss on foreign currency bank balance		(0.14)	0.23
Exchange (gain)/loss on long-term foreign currency borrowings		4,208.95	(251.93)
Provision for wealth-tax		18.00	18.00
Interest expenses - on borrowings		1,452.09	965.92
- others		144.53	23.61
Provision for decline in the value of investments written back		(35.64)	(146.00)
Fixed assets written off		47.57	105.12
Loss on sale of fixed assets		146.87	77.73
		9,519.30	3,307.41
		35,249.14	27,442.23
Operating profit before working capital changes			
Adjustments for:			
Trade and other receivables		(4,040.23)	(1,009.57)
Inventories		(3,177.20)	1,139.78
Trade and other payables		595.24	5,266.04
		(6,622.19)	5,396.25
Cash generated from operations		28,626.95	32,838.48
Interest received		354.09	304.55
Dividends received		15.78	12.54
Purchase of investments*		(85.39)	
Proceeds from sale of investments*		161.67	
Direct taxes paid		76.28	(17.83)
		(8,864.46)	64.18
		(8,418.31)	46.35
		20,208.64	(7,554.73)
			(7,191.29)
Net cash from operating activities		20,208.64	25,647.19
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(26,082.94)	(20,306.55)
Proceeds from sale of fixed assets		166.60	
Purchase of current and long-term investments		(180,935.01)	
Proceeds from sale of current and long-term investments		183,249.99	
Dividends from current and long-term investments		2,314.98	(220,610.45)
Loans and deposits given		97.72	209,183.55
Loans and deposits received back		(100.00)	(11,426.90)
Interest received		-	355.53
Net cash used in investing activities		24.57	(100.00)
		(23,579.07)	50.00
			9.41
			(31,253.72)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term borrowings availed		8,912.00	12,923.70
Repayment of long-term borrowings		(3,688.49)	(1,822.16)
Proceeds from/(Repayment of) short-term bank borrowings		968.27	246.84
Interest paid		(1,580.49)	(950.62)
Dividend paid		(3,634.46)	(2,590.88)
Corporate dividend tax paid		(590.43)	(431.78)
Net cash used in financing activities		386.40	7,375.10
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(2,984.03)	1,768.57
Opening cash and cash equivalents			
- Cash and bank balances #		5,398.71	3,630.37
Closing cash and cash equivalents			
- Cash and bank balances #		2,414.82	5,398.71
- Effect of exchange rate changes on exchange earner foreign currency bank balance		(0.14)	0.23
		2,414.68	5,398.94

* By the subsidiary companies engaged in the business of investments
Includes bank fixed deposits lodged as security with Government
Authorities, term deposits and margin money deposits with banks
aggregating to Rs.931.62 lacs as at March 31, 2012
(as at March 31, 2011 Rs. 4056.53 lacs)

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

R.A. SHAH
Chairman

SAMIR KUMAR MODI
Executive Director

K.K. MODI
President

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Jaideep Bhargava
Partner

S. SERU
Chief Executive

SANJAY GUPTA
Chief Financial Officer

Place : New Delhi
Date : May 29, 2012

Directors

NOTES

forming part of the consolidated financial statements
for the year ended March 31, 2012

1. BASIS OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21)-"Consolidated Financial Statements" and Accounting Standard 23 (AS 23) – "Accounting for Investments in Associates in Consolidated Financial Statements" notified under Rule 3 of the Companies (Accounting Standards) Rules, 2006.

a) Principles of consolidation

The consolidated financial statements relate to Godfrey Phillips India Limited ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- The excess of cost to the Company of its investment in a subsidiary company over the Company's portion of the equity of the subsidiary at the date on which investment in subsidiary is made is recognized in the financial statements as goodwill.

b) The subsidiaries (which along with Godfrey Phillips India Limited, the Parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of incorporation	Percentage of voting power as at	
		31.03.2012	31.03.2011
		%	%
International Tobacco Company Limited	India	100.00	100.00
Chase Investments Limited	India	100.00	100.00
City Leasing and Finance Company Limited	India	-@	100.00
Manhattan Credits and Finance Limited	India	-@	100.00
Kashyap Metal and Allied Industries Limited	India	66.23 *	66.23 *
Unique Space Developers Limited	India	66.67 *	66.67 *
Gopal Krishna Infrastructure & Real Estate Limited	India	66.67 **	66.67 **
Rajputana Infrastructure Corporate Limited	India	66.23 ***	66.23 ***

* Held through other subsidiaries

** 100% Subsidiary of Unique Space Developers Limited

*** 100% Subsidiary of Kashyap Metal and Allied Industries Limited

@ Merged with Chase Investments Limited in current year.

c) The Group's associates are:

Success Principles India Limited	India	48.89	48.89
IPM India Wholesale Trading Private Limited	India	24.80	24.80
KKM Management Centre Private Limited	India	36.75	36.75

In respect of IPM India Wholesale Trading Private Limited, the financial statements for the year ended December 31, 2011 have been considered for the purpose of consolidation.

These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries and associates, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 23 by each of the aforesaid entities.



GODFREY PHILLIPS
INDIA LIMITED

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

i) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition of qualifying assets upto the date of their commissioning.

No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the higher of the rates prescribed under the Companies Act, 1956 or the accelerated rates determined based on their useful lives as per technical estimates of the Management, and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The rates applied are as follows:-

Buildings -Other than factory	1.63%
-Factory	3.34%
Plant and machinery	4.75% /10.34%
Furniture and fixtures	6.33%
Computers, information technology equipments and computer software	16.21%
Motor vehicles	9.50%

ii) Investments

Long term investments, other than in associates, are stated at cost net of provision for diminution, other than temporary, if any. Investments in associates are accounted for using the equity method. Current investments are stated at cost or fair value, whichever is lower.

iii) Inventories

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under. The cost of raw materials, stores and spares and traded goods is determined on moving weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

iv) Revenue recognition

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty, where applicable but are exclusive of sales tax/value added tax. Income from investments is recognised on an accrual basis.

v) **Employee benefits**

The Group has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund, duly recognised by the Income-tax authorities. The funds are administered through trustees and the group's contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

vi) **Income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

vii) **Proposed dividends**

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

viii) **Research and development expenditure**

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

ix) **Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the statement of profit and loss. The monetary items are translated at the year end rates and the gains/losses are taken to the statement of profit and loss.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the statement of profit and loss. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period.

x) **Investment subsidiaries**

Income recognition, assets classification and provisioning are done in accordance with the prudential norms/guidelines issued by the Reserve Bank of India from time to time for Non-Banking Financial Companies.



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
3. Share capital		
Authorised		
60,000 Preference shares of Rs. 100 each	60.00	60.00
2,44,00,000 Equity shares of Rs. 10 each	2440.00	2440.00
	2500.00	2500.00
Issued, subscribed and fully paid up		
1,03,98,784 Equity shares of Rs.10 each	1039.88	1039.88

- (i) There has been no movement in the equity shares in the current and previous year.
- (ii) The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.
The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.
- (iii) Shares held by each shareholder holding more than 5%:

Name of the shareholder	No. of shares	% held as at 31.03.2012	No. of shares	% held as at 31.03.2011
a) Philip Morris Global Brands Inc.	2,610,095	25.10%	2,610,095	25.10%
b) Indo Euro Investment Co. Pvt. Ltd.	1,471,782	14.15%	1,471,782	14.15%
c) K K Modi Investment & Financial Services Pvt. Ltd.	1,168,759	11.24%	1,168,759	11.24%
d) Good Investment (India) Ltd.	796,044	7.66%	796,044	7.66%
e) Jupiter India Fund	650,000	6.25%	705,000	6.78%

4. Reserves and surplus

Revaluation Reserve	-	236.16
Capital Redemption Reserve	30.13	30.13
Statutory Reserve	6.41	4.46
General Reserve	21931.89	19731.89
Surplus in Statement of Profit and Loss	70597.35	59483.73
	92565.78	79486.37

Movement in reserves and surplus is as under:

Revaluation Reserve

Opening balance	236.16	236.16
Less: Utilised for set-off on conversion of real estate stock to fixed assets	(236.16)	-
Closing Balance	-	236.16

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
Statutory Reserve		
Opening balance	4.46	-
Add: Transfer from surplus in statement of profit and loss	1.95	4.46
Closing Balance	6.41	<u>4.46</u>
General Reserve		
Opening balance	19731.89	17731.89
Add: Transfer from surplus in statement of profit and loss	2200.00	2000.00
Closing Balance	21931.89	<u>19731.89</u>
Surplus in Statement of Profit and Loss		
Opening balance	59483.73	49104.95
Add : Net profit for the current year	18149.86	16613.24
Less : Proposed dividend	4159.51	3639.57
Corporate dividend tax	674.78	590.43
Transfer to general reserve	2200.00	2000.00
Transfer to statutory reserve	1.95	4.46
Net surplus in the statement of profit and loss	70597.35	<u>59483.73</u>

5. Long-term borrowings		
Secured		
Foreign currency term loans from banks	29515.93	20083.46
Less : Current maturities of long term borrowings	6327.43	3266.23
	23188.50	<u>16817.23</u>

Details of security and terms of above loans

These loans carry interest ranging between 3.8% to 6.5% per annum and are repayable in half yearly/yearly instalments ranging between 3 to 5 years. Further, these loans are secured by way of exclusive charges over specific plant and machinery.

6. Other long term-liabilities		
Others		
-Security deposits	19.50	22.65
	19.50	<u>22.65</u>

7. Long-term Provisions		
Provision for employee benefits		
-provision for compensated absences	3312.94	2738.72
	3312.94	<u>2738.72</u>



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
8. Short-term borrowings		
Secured		
- Cash credits from banks*	3040.86	2468.42
Unsecured		
- Foreign currency packing credits from banks	395.83	-
	3436.69	2468.42
*Secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company.		
9. Trade payables		
Trade Payables		
-Micro and small enterprises	152.54	242.37
-Other than Micro and small enterprises	10583.50	8118.79
Employee payables	1416.02	1858.38
	12152.06	10219.54
10. Other current liabilities		
Current maturities of long-term borrowings	6327.43	3266.23
Interest accrued but not due on borrowings	233.67	217.54
Unclaimed dividends	163.32	158.21
Payable to gratuity fund	567.71	856.52
Payables for fixed assets	4129.14	991.50
Other payables		
-Security deposits	24.88	22.44
-Statutory dues	9240.20	11189.94
-Advances from customers	3191.07	2841.08
-Others	84.09	65.17
	23961.51	19608.63
11. Short-term provisions		
Provision for employee benefits		
-Provision for compensated absences	726.48	767.64
Others		
-Proposed dividend	4159.51	3639.57
-Provision for corporate dividend tax	674.78	590.43
-Taxation (net of payments)	763.15	824.36
	6323.92	5822.00

1.2. Fixed assets

	GROSS BLOCK (AT COST)		DEPRECIATION/AMORTIZATION		NET BLOCK	
	As at 31.3.2011	Additions/ adjustments	As at 31.3.2012	As at 31.3.2011	For the year deductions	As at 31.3.2012
Tangible Assets:						
Land/leasehold	308.54#	1414.75	-	1723.29#	-	-
Land/freehold	959.09	0.42	-	959.51	-	959.51
Buildings	4294.75*	10247.28	-	14542.03*	758.11	455.73
Leasehold building improvements	621.70	48.54	-	670.24	39.60	22.49
Plant and machinery	43752.37	18266.45	70.75	61948.07	21168.41	5490.39
Electrical installation and equipments	596.64	77.03	8.89	664.78	163.33	33.08
Computers and information technology equipments	1436.93	397.94	129.70	1705.17	856.03	257.44
Furniture, fixtures and office equipments	1878.89	479.48	54.32	2304.05	773.68	126.16
Motor vehicles	2649.66	409.48	531.89	2527.25	832.23	240.04
Total of Tangible assets	56498.57	31341.37	795.55	87044.39	24591.39	6625.33
Intangible Assets						
Computer softwares	510.08	-	-	510.08	216.22	62.01
Total of Intangible assets	510.08			510.08	216.22	62.01
Grand Total	57008.65	31341.37	795.55	87554.47	24807.61	6687.34
Previous year	49671.09	8420.17	1082.61	57008.65	21150.51	4392.07
Capital work-in-progress						

*Includes Rs. 0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies.

#includes Rs.22.91 lacs (previous year Rs.22.91 lacs) in respect of lands, titles for which are yet to be registered in the name of the Group. Also , includes Rs.6.69 lacs (previous year Rs.6.69 lacs) in respect of land for which a notice for termination of lease has been received from the Government of U.P., which notice has been disputed by the Group in a petition filed before the Allahabad High Court and is pending disposal.





GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. Non-Current Investments		
LONG TERM (At cost unless otherwise stated)		
TRADE INVESTMENT - UNQUOTED		
Investments in Equity Instruments		
Associate:		
IPM India Wholesale Trading Private Limited 49,60,000 Equity shares of Rs. 10 each fully paid up	496.00	496.00
Less: Group's share of loss restricted to the original cost of investment	496.00	496.00
KKM Management Centre Private Limited 11,02,500 Equity Shares of Rs.10 each fully paid up	110.25	110.25
Cost of acquisition	15.43	15.43
Add: Group's share of profit upto year end	125.68	125.68
Others:		
Molind Engineering Limited 3,500 Equity Shares of Rs.10 each fully paid up	0.25	0.25
OTHER INVESTMENTS - QUOTED		
Investments in Equity Instruments		
Nestle India Limited 93 Equity Shares of Rs.10 each fully paid up	0.07	0.07
Smithkline Beecham Consumer Healthcare Limited 320 Equity Shares of Rs.10 each fully paid up	0.38	0.38
GTC Industries Limited 100 Equity Shares of Rs.10 each fully paid up	0.01	0.01
VST Industries Limited 100 Equity Shares of Rs.10 each fully paid up	0.11	0.11
Hindustan Unilever Limited 290 Equity Shares of Re.1 each fully paid up	0.07	0.07
HDFC Bank Limited 75,000 (Previous year 15,000) Equity Shares of Rs.2 (Previous year Rs.10) each fully paid up	1.50	1.50
Oriental Bank of Commerce 1,000 Equity Shares of Rs.10 each fully paid up	0.60	0.60
Bank of Baroda 1,000 Equity Shares of Rs.10 each fully paid up	2.30	2.30
State Bank of Travancore 14,050 Equity Shares of Rs.10 each fully paid up	8.43	8.43
Bank of India 1,000 Equity Shares of Rs.10 each fully paid up	1.35	1.35
Corporation Bank 3,687 Equity Shares of Rs.10 each fully paid up	13.58	13.58
Punjab Communications Limited 2399 Equity Shares of Rs.10 each fully paid up	6.00	6.00
Narang Industries Limited 40,000 Equity Shares of Rs.10 each fully paid up	4.00	4.00
Circassia Pacific Finance Limited 1,00,000 Equity Shares of Rs.10 each fully paid up	10.00	10.00
Maruti Suzuki India Limited (Formerly Maruti Udyog Limited) 950 Equity Shares of Rs.5 each fully paid up	1.19	1.19

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. NON CURRENT INVESTMENTS (Continued)		
Emami Limited		
1800 Equity Shares of Re.1 each fully paid up	0.63	0.63
Emami Infrastructure Limited		
300 Equity Shares of Rs. 2 each fully paid up (received free of cost)	-	-
NTPC Limited		
6,544 Equity Shares of Rs.10 each fully paid up	9.58	9.58
Punjab National Bank		
1,376 Equity Shares of Rs.10 each fully paid up	7.13	7.13
Reliance Industries Limited		
5,176 Equity Shares of Rs.10 each fully paid up	33.00	33.00
Tata Consultancy Services Limited		
3,850 Equity Shares of Re.1 each fully paid up	17.90	17.90
Ashok Leyland Limited		
15,000 (Previous year 7,500) Equity Shares of Re.1 each fully paid up (7,500 shares received as bonus shares)	2.05	2.05
HT Media Limited		
1,000 Equity Shares of Rs.2 each fully paid up	1.06	1.06
Andhra Bank		
12,379 Equity Shares of Rs.10 each fully paid up	11.40	11.40
ICICI Bank Limited		
2,339 Equity Shares of Rs.10 each fully paid up	18.58	18.58
Zee Entertainment Enterprises Limited		
1094 Equity Shares of Re.1 each fully paid up	0.82	0.82
Zee News Limited		
226 Equity Shares of Re.1 each fully paid up (received free of cost)	-	-
Zee Learn Limited		
137 Equity Shares of Re.1 each fully paid up (received free of cost)	-	-
Suzlon Energy Limited		
975 Equity Shares of Rs. 2 each fully paid up	0.99	0.99
Talbros Automotive Components Limited		
1,034 Equity Shares of Rs.10 each fully paid up	1.06	1.06
Infrastructure Development Finance Company Limited		
1,500 Equity Shares of Rs.10 each fully paid up	1.80	1.80
Chennai Petroleum Corporation Limited		
400 Equity Shares of Rs.10 each fully paid up	0.96	0.96
Dabur India Limited		
6,000 Equity Shares of Re.1 each fully paid up	2.11	2.11
SRF Limited		
3,200 Equity Shares of Rs.10 each fully paid up	8.31	8.31
State Bank of India		
1,000 Equity Shares of Rs.10 each fully paid up	8.76	8.76
Tata Chemicals Limited		
1,500 Equity Shares of Rs.10 each fully paid up	3.74	3.74
Union Bank of India		
913 Equity Shares of Rs.10 each fully paid up	1.00	1.00
Lanco Infratech Limited		
1,00,000 Equity Shares of Re.1 each fully paid up	24.00	24.00
Parsvnath Developers Limited		
1,122 Equity Shares of Rs. 5 each fully paid up	1.68	1.68
Power Finance Corporation Limited		
997 Equity Shares of Rs.10 each fully paid up	0.85	0.85



GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. NON CURRENT INVESTMENTS (Continued)		
Idea Cellular Limited		
1,637 Equity Shares of Rs.10 each fully paid up	1.68	1.68
Indian Bank Limited		
2,096 Equity Shares of Rs.10 each fully paid up	1.91	1.91
Technocraft Industries India Limited		
2,350 Equity Shares of Rs.10 each fully paid up	2.47	2.47
Reliance Communication Limited		
2,010 Equity Shares of Rs.5 each fully paid up	2.75	2.75
Reliance Capital Limited		
75 Equity Shares of Rs. 10 each fully paid up (received free of cost)	-	-
Reliance Infrastructure Limited		
1,113 Equity Shares of Rs.10 each fully paid up	9.16	9.16
Reliance Power Limited		
306 Equity Shares of Rs.10 each fully paid up	1.17	1.17
Axis Bank		
1,000 Equity Shares of Rs.10 each fully paid up	8.27	8.27
Deccan Chronicle Holdings Limited		
2,000 Equity Shares of Rs.2 each fully paid up	3.40	3.40
GMR Infrastructure Limited		
10,000 Equity Shares of Re.1 each fully paid up	10.63	10.63
Industrial Development Bank of India		
3,500 Equity Shares of Rs.10 each fully paid up	4.70	4.70
Indian Hotels Limited		
3,500 Equity Shares of Re.1 each fully paid up	4.73	4.73
ITC Limited		
9,000 Equity Shares of Re.1 each fully paid up	7.39	7.39
J.K. Cement Limited		
2,000 Equity Shares of Rs.10 each fully paid up	3.47	3.47
Mahanagar Telephone Nigam Limited		
1,000 Equity Shares of Rs.10 each fully paid up	1.65	1.65
Adani Port & Special Economic Zone Limited		
(Formerly Mundra Port & Special Economic Zone Limited)		
240 Equity Shares of Rs. 2 each fully paid up	0.21	0.21
Omaxe Limited		
210 Equity Shares of Rs.10 each fully paid up	0.65	0.65
Power Grid Corporation of India Limited		
17,068 Equity Shares of Rs.10 each fully paid up	19.32	19.32
Steel Authority of India Limited		
6,000 Equity Shares of Rs.10 each fully paid up	13.21	13.21
SKF India Limited		
1,000 Equity Shares of Rs.10 each fully paid up	4.34	4.34
Tata Motors Limited		
5,000 Equity Shares of Rs.2 each fully paid up	6.96	6.96
(Previous year 1,000 Equity shares of Rs.10 each fully paid up)		
Tata Power Limited		
10,000 Equity Shares of Re.1 each fully paid up	11.52	11.52
(Previous year 1,000 Equity shares of Rs.10 each fully paid up)		
V2 Retail Limited (Formerly Vishal Retail Limited)		
25 Equity Shares of Rs.10 each fully paid up	0.07	0.07
Wire and Wireless (India) Limited		
250 Equity Shares of Re.1 each fully paid up (received free of cost)	-	-

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. NON CURRENT INVESTMENTS (Continued)		
Central Bank of India		
598 (Previous year 374) Equity Shares of Rs.10 each fully paid up	0.61	0.38
Fortis Healthcare Limited		
51,176 Equity Shares of Rs.10 each fully paid up	55.27	55.27
Bharat Earth Movers Limited		
166 Equity Shares of Rs.10 each fully paid up	1.78	1.78
Cipla Limited		
1,000 Equity Shares of Rs.10 each fully paid up	2.14	2.14
ICRA Limited		
1,000 Equity Shares of Rs.10 each fully paid up	9.68	9.68
Infosys Technologies Limited		
500 Equity Shares of Rs.10 each fully paid up	6.56	6.56
Kotak Bank Limited		
2,000 Equity Shares of Rs. 5 each fully paid up	7.99	7.99
Oil India Limited		
210 Equity Shares of Rs. 10 each fully paid up	2.21	2.21
Coal India Limited		
154 Equity Shares of Rs.10 each fully paid up	0.37	0.37
Punjab and Sind Bank		
50 Equity Shares of Rs.10 each fully paid up	0.06	0.06
The Shipping Corporation of India		
719 Equity Shares of Rs.10 each fully paid up	1.01	1.01
Investments in Bonds		
Indian Railway Finance Corporation Limited		
43,501 Tax Free Secured Redeemable Non-convertible Bonds of Rs.1000 each fully paid up	435.01	-
Investments under Portfolio Management Service #:		
A) Reliance Portfolio Management Scheme- Trinity Series (Managed by Reliance Capital Asset Management Limited)		
Aries Agro Limited		
687 Equity Shares of Rs.10 each fully paid up	0.88	0.88
Patni Computers Limited		
Nil (Previous year 167) Equity Shares of Rs.5 each fully paid up	-	0.78
HDFC Bank Limited		
330 (Previous year 66) Equity Shares of Rs.2 (Previous year Rs.10) each fully paid up (Face value sub-divided during the year)	0.59	0.59
Housing Development Finance Corporation		
319 Equity Shares of Rs.10 each fully paid up	1.01	1.01
Hindustan Petroleum Corporation Limited		
418 Equity Shares of Rs.10 each fully paid up	1.10	1.10
Cipla Limited		
Nil (Previous year 212) Equity Shares of Rs.5 each fully paid up	-	0.65
ONGC Corporation Limited		
460 Equity Shares of Rs.10 each fully paid up	0.82	0.82
Zuari Industries Limited		
109 Equity Shares of Rs.2 each fully paid up	0.82	0.82
Sai Rayalaseema Paper Mills Limited		
15,895 Equity Shares of Rs.10 each fully paid up	1.93	1.93



GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. NON CURRENT INVESTMENTS (Continued)		
Reliance Mutual Fund Nil (Previous year 49,539) Units of Reliance Liquid Fund Institutional Daily Dividend of Rs.10 each	-	4.96
Zensar Technologies Limited 619 (Previous year 1,004) Equity Shares of Rs.10 each fully paid up	0.35	1.42
HEG Limited 68 Equity Shares of Rs.10 each fully paid up	0.27	0.27
Tata Consultancy Services Limited 186 Equity Shares of Re.1 each fully paid up	1.20	1.20
Indoco Remedies Limited 253 Equity Shares of Rs.10 each fully paid up	1.07	1.07
Bharti Tele Venture Limited 256 (Previous year Nil) Equity Shares of Rs.5 each fully paid up	0.86	-
Indian Oil Corporation Limited Nil (Previous year 308) Equity Shares of Rs.10 each fully paid up	-	0.65
Oil India Limited Nil (Previous year 131) Equity Shares of Rs.10 each fully paid up	-	1.58
Bharat Earth Movers Limited Nil (Previous year 213) Equity Shares of Rs.10 each fully paid up	-	1.24
ISMT Limited 2,829 Equity Shares of Rs.10 each fully paid up	1.54	1.54
Excel Crop Care Ltd Nil (Previous year 546) Equity Shares of Rs.10 each fully paid up	-	1.26
Balmer Lawrie & Co. Ltd. Nil (Previous year 219) Equity Shares of Rs.10 each fully paid up	-	1.47
Larsen and Toubro Limited 88 (Previous year 65) Equity Shares of Rs.10 each fully paid up	1.14	1.07
Deepak Fertilisers and Petrochemicals Corporation Ltd. 149 (Previous year 625) Equity Shares of Rs.10 each fully paid up	0.24	1.08
Standard Chartered IDR 1,647 (Previous year 868) Equity Shares of Rs. each fully paid up	1.68	0.95
Bajaj Auto Limited 16 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.24	-
Bharat Heavy Electricals Limited 276 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.68	-
Cairn India Limited 225 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.75	-
Crompton Greaves Limited 418 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.60	-
Hindustan Zinc Limited 551 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.77	-
ICICI Bank Limited 137 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.22	-
Mahindra & Mahindra Limited 129 (Previous year Nil) Equity Shares of Rs.5 each fully paid up	0.87	-
Reliance Industries Limited 261 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	2.18	-
Tata Iron and Steel Company Limited 135 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.70	-

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. NON CURRENT INVESTMENTS (Continued)		
Tata Motors Limited		
510 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.86	-
Infosys Limited		
48 (Previous year Nil) Equity Shares of Rs.5 each fully paid up	1.19	
Balance with portfolio management scheme	3.04	0.74
B) Kotak 2010 Opportunities Portfolio Management Scheme (Managed by Kotak Securities Limited)		
Bharti Airtel Limited		
Nil (Previous year 862) Equity Shares of Rs.5 each fully paid up	-	3.63
Bharat Electronics Limited		
Nil (Previous year 230) Equity Shares of Rs.10 each fully paid up	-	4.31
Bilcare Limited		
Nil (Previous year 447) Equity Shares of Re.1 each fully paid up	-	1.96
Hindustan Oil Exploration Company Limited		
Nil (Previous year 2,259) Equity Shares of Rs.10 each fully paid up	-	5.87
IFCI Limited		
Nil (Previous year 5,245) Equity Shares of Rs.10 each fully paid up	-	3.17
Sentinel Tea And Exports Limited		
Nil (Previous year 1,601) Equity Shares of Rs.10 each fully paid up	-	0.62
IRB Infrastructure Developers Limited		
Nil (Previous year 1,847) Equity Shares of Rs.10 each fully paid up	-	2.19
Network 18 Media & Investments Limited		
Nil (Previous year 2,686) Equity Shares of Rs. 5 each fully paid up	-	6.95
OnMobile Global Limited		
Nil (Previous year 1,078) Equity Shares of Rs. 10 each fully paid up	-	4.22
Sundaram Fasteners Ltd.		
Nil (Previous year 4,984) Equity Shares of Rs. 10 each fully paid up	-	3.27
Kotak Mutual Fund		
Nil (Previous year 57,569 Units of Kotak Floater Long Term Growth of Rs.10 each	-	8.88
Kakinada Fertilizers Limited		
7,521 (Previous year 8,082) Equity Shares of Rs.10 each fully paid up (During the year Nagarjuna Fertilizers & Chemicals Limited merged with Kakinada Fertilizers Limited)	0.53	2.68
Motherson Sumi Systems Limited		
Nil (Previous year 1,935) Equity Shares of Re.1 each fully paid up	-	1.55
Escorts India Limited		
Nil (Previous year 765) Equity Shares of Rs.10 each fully paid up	-	0.60
DCW Limited		
Nil (Previous year 10,383) Equity Shares of Rs.2 each fully paid up	-	2.05
Areva T&D India Limited		
Nil (Previous year 886) Equity Shares of Rs.2 each fully paid up	-	2.66
Solar Industries India Limited		
Nil (Previous year 224) Equity Shares of Rs.10 each fully paid up	-	0.92
Kotak Mahindra Bank		
Balance with Portfolio Management Scheme	-	0.01
# Investments have been made under the portfolio management agreement entered into between the Group and Portfolio Management schemes and are being held in the name of the Portfolio Manager as envisaged in the aforesaid agreement.	-	6.91



GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
13. NON CURRENT INVESTMENTS (Continued)		
Investments in Mutual Fund		
Franklin Templeton Mutual Fund 1,83,51,130 Units of Templeton India Income Opportunities Fund -Growth of Rs.10 each	1889.88	1889.88
27,534 Units of Templeton India Short Term Income Retail Plan-Growth of Rs.1000 each	477.95	477.95
ICICI Prudential Mutual Fund 1,00,00,000 (Previous year Nil) Units of ICICI Prudential FMP Series 63-384 Days Plan A Cumulative of Rs. 10 each	1000.00	-
2,44,585 (Previous year 179,237) Units of ICICI Prudential Institutional Liquid Plan- Super Institutional Growth of Rs.100 each	208.01	283.82
Birla Mutual Fund 24,92,990 Units of Birla Sun Life Income Plus Plan - Growth of Rs.10 each	616.37	616.37
Nil (Previous year 1,43,44,047) Units of Birla Sun Life Medium Term Plan - Institutional-Growth of Rs.10 each	-	1500.00
1,50,00,000 (Previous year Nil) Units of Birla Sun Life Fixed Term Plan Series DP- Growthof Rs.10 each	1500.00	-
IDFC Mutual Fund 50,00,000 Units of IDFC Equity Fund Plan A- Growth of Rs.10 each	500.00	500.00
ING Mutual Fund 16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each	219.25	219.25
AIG Mutual Fund 9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each	100.00	100.00
Nil (Previous year 9,77,995) Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each	-	100.00
SBI Mutual Fund Nil (Previous year 10,00,000) Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each	-	100.00
HDFC Mutual Fund Nil (Previous year 24,39,162) Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs.10 each	-	244.50
Nil (Previous year 47,67,482) Units of HDFC Short Term Plan - Growth of Rs. 10 each	-	805.32
1,50,00,000 (Previous year Nil) Units of HDFC FMP 400D February 2012 (1) - Growth-Sereis XXI of Rs.10 each	1500.00	-
Baroda Pioneer Mutual Fund Nil (Previous year 50,00,000) Units of Baroda Pioneer PSU Bond Fund - Growth of Rs.10 each	-	500.00
Reliance Mutual Fund 20,000 Units of Reliance Equity Opportunity Fund - Growth of Rs.10 each	2.00	2.00
97,800 Units of Reliance Equity Advantage Fund -Retail Plan - Growth of Rs. 10 each	10.00	10.00
TATA Mutual Fund 1,00,00,000 (Previous year Nil) Units of TATA Fixed Maturity Plan Series 39 Scheme G-Growth of Rs.10 each	1000.00	-
AXIS Mutual Fund 1,00,00,000 (Previous year Nil) Units of AXIS Fixed Term Plan - Series 22 (374 Days) -Growth of Rs. 10 each	1000.00	-
HSBC Mutual Fund 1,50,00,000 (Previous year Nil) Units of HSBC Fixed Term Series 86- Growth of Rs.10 each	1500.00	-

Rupees in lacs

			As at	As at
			31.3.2012	31.3.2011
13. NON CURRENT INVESTMENTS (Continued)				
OTHER INVESTMENTS - UNQUOTED				
Investments in Equity Instruments				
Associate:				
Success Principles India Limited				
1,99,673 Equity Shares of Rs. 10 each fully paid up	19.97		19.97	
Cost of acquisition (net of capital reserve of Rs. 1.67 lacs)	41.14		39.94	
Add: Group's share of profit upto year end		61.11		59.91
Others:				
Indo Euro Investment Company Private Limited				
36,750 Equity Shares of Rs. 100 each fully paid up		36.78		36.78
Modicare Limited				
7,20,000 Equity Shares of Rs. 10 each fully paid up		72.00		72.00
Investment in Government Securities (Unquoted)		0.36		0.36
		12698.12		8134.28
Less: Provision for diminution in the value of investments		29.07		64.72
		12669.05		8069.56
Aggregate value of quoted investments		12397.41		7826.01
Aggregate amount of unquoted investments		271.64		243.55
		12669.05		8069.56
Market value of quoted investments		14580.43		9860.54

			Rupees in lacs
		As at	As at
		31.3.2012	31.3.2011
14. Deferred taxation			
Deferred tax assets:			
- Accrued expenses deductible on payment	1938.14		2053.43
- Foreign currency fluctuation relating to borrowings	904.37		-
- Others	131.22		51.93
	2973.73		2105.36
Deferred tax liabilities:			
- Accelerated depreciation	2356.13		1978.92
- Capital gains	19.21		28.26
- Foreign currency fluctuation relating to borrowings	-		123.11
	2375.34		2130.29
Deferred tax assets/(liabilities)- net	598.39		(24.93)

		As at	As at
		31.3.2012	31.3.2011
15. Long-term loans and advances			
(Unsecured, considered good unless otherwise stated)			
Capital advances	1061.36		1034.56
Security deposits	995.14		784.42
Other loans and advances			
- Loans given	2325.00		2325.00
- Prepaid expenses	25.16		29.46
- Loans to employees	473.21		435.51
- Inter-corporate deposits	-		100.00
	4879.87		4708.95



**GODFREY PHILLIPS
INDIA LIMITED**

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
16. CURRENT INVESTMENTS		
Current portion of long-term investments (at cost)*		
Investments in Mutual Fund (Quoted)		
ICICI Prudential Mutual Fund		
Nil [Previous year 1,07,98,301] Units of ICICI Prudential FMP Series 53-1 Year Plan A Cumulative of Rs.10 each	-	1079.83
1,00,00,000 [Previous year 2,12,39,014] Units of ICICI Prudential Interval Fund Annual Interval Plan-1 Institutional Cumulative of Rs.10 each (1,12,39,014 Units sold during the year)	1000.70	2125.39
Nil [Previous year 1,00,00,000] Units of ICICI Prudential FMP Series 53-1 Year Plan B Cumulative of Rs.10 each	-	1000.00
Nil [Previous year 1,00,00,000] Units of ICICI Prudential FMP Series 55-1 Year Plan B Cumulative of Rs.10 each	-	1000.00
72,30,240 [Previous year Nil] Units of ICICI Prudential Interval Fund Annual Interval Plan-II-Growth of Rs.10 each	1000.00	-
1,00,00,000 [Previous year Nil] Units of ICICI Prudential FMP Series 60-1 Year Plan F-Growth of Rs.10 each	1000.00	-
1,00,00,000 [Previous year Nil] Units of ICICI Prudential FMP Series 62-1 Year Plan A-Growth of Rs.10 each	1000.00	-
Birla Mutual Fund		
Nil [Previous year 1,20,97,777] Units of Birla Sun Life Fixed Term Plan Series CG-Growth of Rs.10 each	-	1209.78
40,306 Units of Birla Sun Life Saving Fund- Retail - Growth of Rs.100 each	79.00	-
39,818 Units of Birla Cash Plus Institutional Plan-Growth of Rs.10 each	-	8.27
Kotak Mahindra Mutual Fund		
Nil [Previous year 1,00,00,000] Units of Kotak FMP Series 34-Growth of Rs.10 each	-	1000.00
HDFC Mutual Fund		
Nil [Previous year 27,117] Units of HDFC Cash Management Fund - Treasury Advantage Plan Retail-Growth of Rs. 10 each	-	5.17
Nil [Previous year 98,22,484] Units of HDFC 370 D July 2010 (1)-Growth-Series XV of Rs.10 each	-	982.25
Nil [Previous year 1,00,00,000] Units of HDFC FMP 370 D September 2010 (2)-Growth-Series XV of Rs.10 each	-	1000.00
Nil [Previous year 1,23,70,391] Units of HDFC FMP 370 D February 2011 (1)-Growth-Series XVI of Rs.10 each	-	1237.04
1,00,00,000 [Previous year Nil] Units of HDFC FMP 13M September 2011(1)-Growth-Series XVIII of Rs.10 each	1000.00	-
1,00,00,000 [Previous year Nil] Units of HDFC FMP 370D October 2011 (1) - Growth-Series XIX of Rs.10 each	1000.00	-
1,00,00,000 [Previous year Nil] Units of HDFC FMP 370D November 2011 (2) - Growth-Series XIX of Rs.10 each	1000.00	-
HSBC Mutual Fund		
Nil [Previous year 1,00,00,000] Units of HSBC Fixed Series 79-Growth of Rs.10 each	-	1000.00
1,00,00,000 [Previous year Nil] Units of HSBC Fixed Term Series 82-Growth of Rs.10 each	1000.00	-
Principal Mutual Fund		
Nil [Previous year 51,96,944] Units of Principal PNB Fixed Maturity Plan [FMP 62] 367 Days Series 1-Sep 10-Regular Growth Plan of Rs.10 each	-	519.69
Reliance Mutual Fund		
Nil [Previous year 2,06,32,507] Units of Reliance Fixed Horizon Fund -XV-Series 5-Growth Plan of Rs.10 each	-	2063.25
Nil [Previous year 1,63,40,035] Units of Reliance Fixed Horizon Fund -XVI Series 3-Growth Plan of Rs.10 each	-	1634.00
Nil [Previous year 1,00,00,000] Units of Reliance Fixed Horizon Fund -XVI Series 2-Growth Plan of Rs.10 each	-	1000.00
1,00,00,000 Units of Reliance Fixed Horizon Fund -XIX-Series 10-Growth Plan of Rs.10 each	1000.00	1000.00
1,50,00,000 [Previous year Nil] Units of Reliance Fixed Horizon Fund -XIX-Series 4 -Growth Plan of Rs.10 each	1500.00	-
1,00,00,000 [Previous year Nil] Units of Reliance Fixed Horizon Fund -XX-Series 22 -Growth Plan of Rs.10 each	1000.00	-
1,00,00,000 [Previous year Nil] Units of Reliance Fixed Horizon Fund -XXI-Series 14 -Growth Plan of Rs.10 each	1000.00	-
TATA Mutual Fund		
Nil [Previous year 1,00,00,000] Units of TATA Fixed Maturity Plan Series 31 Scheme B-Growth of Rs.10 each	-	1000.00
1,50,00,000 [Previous year Nil] Units of TATA Fixed Maturity Plan Series 37 Scheme C-Growth of Rs.10 each	1500.00	-
1,00,00,000 [Previous year Nil] Units of TATA Fixed Maturity Plan Series 34 Scheme B-Growth of Rs.10 each	1000.00	-
BNP Paribas Mutual Fund		
Nil [Previous year 1,00,00,000] Units of BNP Paribas Fixed Term Fund Series 17C Growth of Rs.10 each	-	1000.00
Sundaram Mutual Fund		
Nil [Previous year 1,00,00,000] Units of Sundaram Fixed Term Plan AQ 367 Days Growth of Rs.10 each	-	1000.00
Nil [Previous year 1,20,00,000] Units of Sundaram Fixed Term Plan AW 366 Days Growth of Rs.10 each	-	1200.00
60,00,000 [Previous year Nil] Units of Sundaram Fixed Term Plan BK 366 Days-Growth of Rs.10 each	600.00	-
1,00,00,000 [Previous year Nil] Units of Sundaram Fixed Term Plan CA 366 Days-Growth of Rs.10 each	1000.00	-
1,00,00,000 [Previous year Nil] Units of Sundaram Fixed Term Plan CL 366 Days-Growth of Rs.10 each	1000.00	-
SBI Mutual Fund		
Nil [Previous year 1,00,00,000] Units of SBI Debt Fund Series-370 Days -10-Growth of Rs.10 each	-	1000.00
JPMorgan Mutual Fund		
Nil [Previous year 80,00,000] Units of JPMorgan India Fixed Maturity Plan 400D Series1-Growth Plan of Rs.10 each	-	800.00
Deutsche Mutual Fund		
Nil [Previous year 26,59,642] Units of DWS Insta Cash Plus Fund - Regular Plan Bonus Option-Bonus of Rs.10 each	-	261.35
18,15,538 Units of DWS Ultra Short Term Fund - Regular Plan Bonus of Rs.10 each	177.63	-
DSP BlackRock Mutual Fund		
1,00,00,000 [Previous year Nil] Units of DSP BlackRock FMP Series 16-12 M-Growth of Rs. 10 each	1000.00	-
UTI Mutual Fund		
1,00,00,000 [Previous year Nil] Units of UTI Fixed Term Income Fund-Series X-VII (368 Days)-Growth Plan of Rs.10 each	1000.00	-
Total	19857.33	24126.02
Aggregate value of quoted investments	19857.33	24126.02
Net asset value of quoted investments	20758.48	24732.08

* Long term investments having a maturity of less than 12 months from the balance sheet date.

Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
17. Inventories		
At lower of cost and net realisable value:		
Raw and packing materials*	26624.92	22529.28
Work-in-process	311.16	354.47
Finished goods - Cigarettes	7066.51	8819.58
- Chewing products	251.00	-
Real estate#	-	405.69
Traded goods**	2555.75	1949.84
At cost or under:		
Stores and spare parts***	1358.28	1337.25
	38167.62	<u>35396.11</u>

Includes land at revalued cost.

* Includes goods in transit Rs. 561.69 lacs (Previous year Rs.247.24 lacs).

** Includes goods in transit Rs. 176.51 lacs (Previous year Rs.899.38 lacs).

*** Includes goods in transit Rs. 16.26 lacs (Previous year Rs.19.98 lacs).

18. Trade Receivables		
Outstanding for a period exceeding 6 months from the date they are due for payment		
Unsecured - considered good	27.42	10.04
- considered doubtful	53.89	53.89
	81.31	63.93
Less: Allowances for doubtful receivables	53.89	53.89
	27.42	10.04
Others		
Unsecured - considered good	7467.53	4528.56
	7467.53	4528.56
	7494.95	4538.60

19. Cash and cash equivalents		
Cash on hand	32.19	38.05
Cheques, drafts on hand	42.91	10.32
Balances with Banks:		
-In current accounts	1241.79	1127.39
-In term deposit accounts	50.40	1750.11
-In earmarked accounts for:		
-Margin money	844.97	2272.29
-Unpaid dividend, fixed deposits interest and preference shares/debentures redemption	166.31	166.42
-Fixed deposit receipts lodged with government authorities	36.25	34.13
	2414.82	<u>5398.71</u>



GODFREY PHILLIPS
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Rupees in lacs

	As at 31.3.2012	As at 31.3.2011
20. Short Term Loans and advances		
(Unsecured, considered good unless otherwise stated)		
Loans and advances to related parties		
- Dues from officers/directors of the Company	6.11	9.10
- Dues from associate companies	271.67	60.78
- Dues from other related parties	10.56	8.19
Others		
- Inter-corporate deposits	200.00	-
- With excise and customs on current/cenvat accounts	4490.11	960.41
- Income-tax recoverable	1095.60	570.45
- MAT credit entitlement	12.07	-
- Security deposits	134.38	146.27
- Prepaid expenses	175.85	185.36
- Loans to employees	125.95	145.65
- Others	1694.49	1821.49
	8216.79	3907.70

21. Other Current Assets		
Interest accrued on bank deposits	24.10	32.19
Export incentives accrued/available	1318.03	1726.76
Unbilled revenue and others	4.43	6.41
	1346.56	1765.36

Rupees in lacs

	Year ended 31.3.2012	Year ended 31.3.2011
22. Revenue from operations		
Sale of products		
- Cigarettes	288353.58	274789.41
- Unmanufactured tobacco	13136.50	10455.30
- Chewing products	12129.30	2435.51
- Traded goods	21307.01	18052.20
	334926.39	305732.42
Other operating revenues		
Export incentives	1186.56	1205.57
Rent and hire charges (gross) from:		
- Others	130.28	56.82
Interest income (gross) from:		
- Debts, deposits, loans and advances, etc.	199.33	148.80
Dividend income from long-term investments	15.78	12.54
Net gain on sale of long-term investments	3.87	30.89
Liabilities no longer required, written back	-	209.82
Receipts from secondment of services	1171.28	-
Scrap sales	283.80	305.24
Sundries	776.85	621.76
	3767.75	2591.44
Total revenue from operations	338694.14	308323.86
Less: Excise duty	147644.38	145487.54
	191049.76	162836.32
23. Other income		
Interest income (gross) from:		
- Debts, deposits, loans and advances, etc.	164.03	176.88
- Long-term investments	3.62	-
Net gain on sale/redemption of:		
- Long-term investments	2166.04	807.50
- Current investments	499.88	347.11
Dividend income from current and long-term investments	97.72	355.53
Provision made for decline in the value of long-term investments written back	35.64	146.00
Foreign currency fluctuation	-	484.22
	2966.93	2317.24



GODFREY PHILLIPS
INDIA LIMITED

Rupees in lacs

	Year ended 31.3.2012	Year ended 31.3.2011
24. Cost of materials consumed (Raw and packing materials)		
Unmanufactured and blended tobacco	21070.18	22338.71
Cigarette paper	752.17	797.58
Cardboard (shells, slides and others)	7965.91	8165.52
Filter rods	4522.53	4486.89
Aluminium foil/Metallised paper	1389.34	1377.68
Cellulose paper	825.07	871.64
Flavours for chewing products	2703.10	611.04
Betel nut	2096.47	486.14
Katha, lime and bulking agent	930.63	215.41
Paper/Laminate pouches for chewing products	1851.60	292.60
Miscellaneous	5498.29	4335.83
	49605.29	43979.04
25. Purchases of traded goods		
Unmanufactured tobacco (including transferred from raw and packing materials)	11075.16	9155.62
Cigarettes	3667.06	867.60
Other goods - Tea, etc. (including packing materials and processing charges)	11384.37	8553.17
	26126.59	18576.39
26. Changes in Inventories of Finished goods, Work-in-process and Traded goods		
Opening stock:		
- Work-in-process	354.47	319.37
- Finished goods - Cigarettes	8819.58	7273.22
- Chewing products	-	24.26
- Traded goods	1949.84	3022.84
- Real estate	405.69	405.69
	11529.58	11045.38
Closing stock:		
- Work-in-process	311.16	354.47
- Finished goods - Cigarettes	7066.51	8819.58
- Chewing products	251.00	-
- Traded goods	2555.75	1949.84
- Real estate	-	405.69
	10184.42	11529.58
(Increase)/decrease	1345.16	(484.20)
Less:		
- Real estate stock converted to fixed assets	169.53	-
- Transfer from revaluation reserve on conversion of real estate stock to fixed assets	236.16 405.69	-
	939.47	(484.20)

Rupees in lacs

	Year ended 31.3.2012	Year ended 31.3.2011
27. Employee Benefits Expenses		
Salaries, wages, bonus, etc.	14993.09	12814.09
Contribution to provident and other funds	1038.09	850.75
Workmen and staff welfare expenses	1203.06	1025.87
Contribution to gratuity and superannuation fund	806.80	1091.79
	18041.04	15782.50
28. Finance Costs		
Interest expenses on:		
- Borrowings	1452.09	965.92
- Others	144.53	23.61
Other borrowing costs	173.59	248.03
Foreign currency fluctuations (considered as finance cost)	1395.28	124.17
	3165.49	1361.73
29. Other Expenses		
Increase/(decrease) in excise duty on finished goods	(1586.82)	1280.38
Consumption of stores and spare parts*	139.70	70.19
Power and fuel	1889.97	1592.86
Rent	1604.18	1609.58
Repairs and maintenance	-	
- Buildings	378.27	453.10
- Machinery	1377.01	1224.76
- Others	450.89	419.76
Insurance	412.20	357.60
Rates and taxes	4152.50	4183.19
Freight and cartage	2966.33	2269.55
Legal and professional expenses	5184.73	4747.01
Auditors' Remuneration (net of service tax)	-	
- Audit fees	52.36	52.58
- For tax audit	14.50	12.73
- For limited review of unaudited financial statements	34.50	30.00
- For corporate governance, consolidated financial statements and other certificates	5.00	4.50
- For other services	-	10.00
- Reimbursement of expenses	6.19	112.55
		3.70
		113.51



**GODFREY PHILLIPS
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Rupees in lacs

	Year ended 31.3.2012	Year ended 31.3.2011
Cash discount	136.50	138.91
Commission paid to other than sole selling agents	194.20	143.53
Advertising and sales promotion	27409.76	24194.13
Selling and distribution expenses	4397.46	3846.81
Travelling and conveyance	2908.41	2409.46
Donations	513.72	212.58
Bad debts and advances written off	35.78	2.77
Fixed assets written off	47.57	77.73
Loss on sale of fixed assets	146.87	104.31
Technical services fee and royalty	1193.02	1094.98
Foreign Currency fluctuation	2339.90	-
Consumer research activity	1475.53	1421.40
Machine and material handling expenses	448.58	434.97
Miscellaneous expenses	5392.82	5008.14
	63721.63	57411.21
*Excludes consumption of stores and spares parts charged to repairs and maintenance-machinery	994.91	811.65

30. Amounts in Notes 27 and 29 are net of pre-operative expenses charged to capital accounts as per details below:

(i) Salaries, wages, bonus, etc.	216.14	129.61
(ii) Contribution to provident and other funds	13.67	8.87
(iii) Workmen and staff welfare expenses	23.11	12.88
(iv) Consumption of stores and spare parts	156.42	28.35
(v) Power and fuel	97.40	31.99
(vi) Rates and taxes	31.10	25.82
(vii) Legal and professional expenses	3.88	6.63
(viii) Travelling and conveyance	5.91	62.79
(ix) Miscellaneous expenses	189.13	123.17

31. Earnings per share has been computed as under:

a) Net profit as per consolidated statement of profit and loss (Rs. lacs)	18149.86	16613.24
b) Weighted average number of equity shares outstanding	1,03,98,784	1,03,98,784
c) Basic and diluted earnings per share (Rupees) (face value of share-Rs.10 each)	174.54	159.76

Rupees in lacs

	For the year ended 31.3.2012	For the year ended 31.3.2011
32. REMUNERATION OF DIRECTORS		
Included in Expenses are:		
Salaries*	228.00	224.25
Monetary value of benefits	38.10	111.51
Commission**	246.00	205.58
Sitting fees	8.06	9.26
Total	520.16	550.60

* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

** including Rs.110.00 lacs (previous year Rs.73.33 lacs) payable to a non-working director.

33. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT		
Revenue expenditure	973.75	855.90
Capital expenditure	125.41	148.67

34. CONTINGENT LIABILITIES NOT PROVIDED FOR		
a) Demands from excise, sales tax, income tax and other authorities disputed by the Group@	2482.20	2549.42
b) Claims against the Group not acknowledged as debts	1.37	1.37

@all these matters are subject to legal proceedings in the ordinary course of business and in the opinion of the Group, these are not expected to have material effect on the financial results of the Group when ultimately concluded.

35. The Group has received various show cause notices from Excise Authorities asking it to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Group does not consider these to constitute a liability of any kind.

36. The estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances) amount to Rs.5999.25 lacs (previous year Rs.19396.46 lacs).

The Group has other commitments, for purchases/sales orders which are issued after considering requirements per operating cycle for purchase/sale of goods and services and employee benefits including union agreements, in normal course of business. The Group does not have any other long term commitments or material non-cancellable contractual commitments/contracts, which might have material impact on the financial statements.

37. The Group has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and range between two to three years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Note 29.

The future minimum lease payments in respect of non-cancellable periods of certain operating leases are as under:



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- (i) for periods not later than one year – Rs.207.85 lacs (previous year – Rs.118.22 lacs).
- (ii) for periods between later than one year and less than five years – Rs. 406.52 lacs (previous year – Rs.216.65 lacs).
- (iii) for period later than five years Rs. 80.73 lacs (previous year Rs. Nil).

The Group has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges in respect thereof have been accrued as income in Note 22.

38. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Associates:

Philip Morris Global Brands Inc. (Formerly Philip Morris International Finance Corporation), which the Company is an associate.

Success Principles India Limited, an associate of the Company.

IPM India Wholesale Trading Private Limited, an associate of the Company.

KKM Management Centre Private Limited, an associate of the Company.

(b) Key management personnel and their relatives:

Mr. K.K.Modi	President and Managing Director
Mr. Samir Kumar Modi	Executive Director
Mr. Lalit Kumar Modi	Executive Director (upto July 31, 2010) and Ordinary Director thereafter and a relative of Mr. K.K. Modi and Mr. Samir Kumar Modi
Mr. R.Ramamurthy	Whole-time Director

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modicare Limited

Modern Homecare Products Limited

Beacon Travels Private Limited

Indofil Industries Limited

Assam Cigarette Company Private Limited

R C Tobacco Private Limited

HMA Udyog Private Limited

Bina Fashion N Food Private Limited

Modicare Foundation

Priyal Hitay Nidhi

Colorbar Cosmetics Private Limited

Gujarmal Modi Science Foundation

Modi Healthcare Placement India Private Limited

Modi Innovative Education Society

(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

Nature of transactions	Associates		Key management personnel and their relatives		Rupees in lacs Enterprises over which significant influence exists	
	2012	2011	2012	2011	2012	2011
Sale of goods, spare parts, etc.	9899.73@	6872.00@	-	-	104.39	103.69
Purchase of goods/services	3667.07@	867.60@	-	-	1766.61#	996.34#
Sale of assets	-	-	-	-	-	0.20
Receipts from secondment of services	1171.28@@	-	-	-	-	-
Interest income	19.30@	15.58@	-	-	-	8.03
Miscellaneous Income	67.28@	62.48@	-	-	-	-
Rent and hire charges received	70.20@@	-	-	-	60.07	56.82
Rent paid	-	-	-	-	12.71	16.16
Payments for professional services availed	1310.80@@	-	-	-	-	-
Payments for employees on deputation	-	-	-	-	-	79.20
Donation given	-	-	-	-	423.85	122.70
Expenses recovered	3016.70@	2282.53@	-	0.30	1.06	21.36
Expenses reimbursed	16.15@@	-	-	-	1.53	3.88
Balance written off	-	0.43@	-	-	-	-
Dividend payment (gross):						
- Philip Morris Global Brands Inc. (Formerly Philip Morris International Finance Corporation)	913.53	652.52	-	-	-	-
Subscription to equity shares of:						
- KKM Management Centre Private Limited	-	110.25	-	-	-	-
Managerial remuneration ##						
- K.K.Modi	-	-	220.39	220.39	-	-
- Lalit Kumar Modi	-	-	110.00	166.77	-	-
- Samir Kumar Modi	-	-	109.31	81.78	-	-
- R.Ramamurthy	-	-	72.40	72.40	-	-
Balance outstanding as at the year end:						
- Trade receivables	0.01	5.29	-	-	-	-
- Loans and advances	271.67	60.78	0.03	2.02	10.56	8.19
- Trade payables	29.03	-	-	-	650.48	647.44

@relates to IPM India Wholesale Trading Private Limited

@@relates to KKM Management Centre Private Limited

includes Rs.1476.65 lacs (previous year Rs. 841.73 lacs) from Beacon Travels Private Limited

excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

39. Segment reporting disclosures under Accounting Standard 17

(A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting", the Group's primary business segments are (a) Cigarette and tobacco products; (b) Tea and other retail products and (c) Others (investment and real estate business activities of the subsidiaries).

(B) Geographical segments:

Since the Group's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.



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Financial information about the primary business segments is presented in the table below:

	Cigarette and tobacco products	Tea and other retail products	Others	Total	Rupees in lacs			
					Cigarette and tobacco products	Tea and other retail products	Others	Total
For the year ended March 31, 2012					For the year ended March 31, 2011			
1.	Segment revenue	- External sales (gross)	320127.81	14798.58	-	334926.39	292020.58	13711.84
	- Less: Excise duty	147644.38	-	-	147644.38	145487.54	-	145487.54
	- Net sales	172483.43	14798.58	-	187282.01	146533.04	13711.84	-
	- Other income	3568.83	174.77	24.15	3767.75	2374.93	171.17	45.34
	- Total	176052.26	14973.35	24.15	191049.76	148907.97	13883.01	45.34
	- Unallocable income				2966.93			2317.24
	Total revenue				194016.69			165153.56
2.	Segment result	29323.52	(532.08)	7.89	28799.33	23548.22	(176.97)	(54.53)
	- Unallocable income net of unallocable expenses				96.00			2179.83
	Profit before finance costs and tax				28895.33			25496.55
	- Finance costs				(3165.49)			(1361.73)
	- Tax expense				(7624.71)			(7547.99)
	Profit after tax before share of results of associates and minority interests				18105.13			16586.83
	Share of net profit/(loss) of associates				16.63			1.03
	Profit after tax before minority interests				18121.76			16587.86
3.	Other information	As at March 31, 2012				As at March 31, 2011		
a)	Segment assets	123582.98	4850.85	3379.97	131813.80	96576.89	3591.50	3245.83
	- Unallocable assets/investments				34390.89			35066.17
	Total assets				166204.69			138480.39
b)	Segment liabilities	32026.88	1410.33	10.87	33448.08	28267.01	1437.68	10.51
	- Share capital, reserves and minority interests				93809.57			29715.20
	- Unallocable liabilities				38947.04			80758.27
	Total liabilities				166204.69			28006.92
		For the year ended March 31, 2012				For the year ended March 31, 2011		
c)	Capital expenditure including capital work in progress	26769.91	295.20	-	27065.11	20263.81	42.74	-
d)	Depreciation and amortization	6577.91	109.43	-	6687.34	4340.85	51.22	-
e)	Non cash expenditure other than depreciation	492.16	40.90	-	533.06	466.86	35.96	-
								502.82

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 2, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expense only include items directly attributable to the segment. They do not include income from or loss on investments (other than relatable to the business activity of the investment subsidiaries), interest income from inter-corporate deposits and loans given, finance cost, donations and provision for taxation (current and deferred tax). Since the corporate office of the Parent Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments (other than those held by the investment subsidiaries), inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits' unclaimed interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current and deferred tax).

40. Employee Benefits

The Company has classified the various benefits provided to employees as under:

I. Defined contribution plans and amounts recognized in the Statement of profit and loss

	For the year ended 31.03.2012	Rupees in lacs For the year ended 31.03.2011
Employers' contribution to provident fund and employee's pension scheme	1038.09	850.75
Employers' contribution to superannuation fund	205.90	196.27
Employers' contribution to employee's state insurance	10.07	7.61

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in the statement of profit and loss – Rs.902.99 lacs; previous year Rs.855.24 lacs.

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same are given below:

	Gratuity (Funded) For the year ended 31.03.2012	For the year ended 31.03.2011
A) Principal Assumptions		
• Discount rate (per annum)	8.30%	8.10%
• Rate of increase in compensation levels	Management: 9% p.a. for first 2 years & 7% p.a. thereafter	Management: 9% p.a. for first 3 years & 7% p.a. thereafter
	Non Management: 7%	Non Management: 7%
• Expected rate of return on plan assets	7.50%	7.50%
• Expected average remaining working lives of employees	11.06 / 10.11 years	11.41/9.43 years
• Retirement age	58 years	58 years



Rupees in lacs

	For the year ended 31.03.2012	For the year ended 31.03.2011
B) Changes in the present value of obligation		
● Present value of obligation as at the beginning of the year	5066.53	4226.99
● Interest cost	391.24	321.68
● Current service cost	301.52	221.60
● Past service cost	-	73.42
● Benefits paid	(437.32)	(412.56)
● Actuarial (gain)/loss on obligations	384.69	635.40
● Present value of obligation as at the end of the year	5706.66	5066.53
C) Change in the fair value of plan assets		
● Fair value of plan assets as at the beginning of the year	4204.58	3937.27
● Expected return on plan assets	279.84	271.27
● Actuarial gain/(loss) on plan assets	167.08	56.33
● Contributions received	918.87	352.27
● Benefits paid	(437.32)	(412.56)
● Fair value of plan assets as at the end of the year	5133.05	4204.58
D) Shortfall/(excess) of fair value over book value of plan assets	(35.06)	(5.43)
E) Excess of book value of plan assets over present value of obligation	-	-
F) Net liability recognized in the balance sheet (B-C+D+E)	538.55	856.52
G) Constitution of plan assets		
● Government Securities	1234.93	1253.22
● Public Sector Bonds	1824.68	1786.29
● Special Deposit Schemes	-	18.97
● Insurer Managed Funds	2052.39	1080.14
● Others	21.05	65.96
● Total	5133.05	4204.58
H) Expenses recognized in the profit and loss account		
● Current service cost	301.52	221.60
● Interest cost	391.24	321.68
● Expected return on plan assets	(279.84)	(271.27)
● Net actuarial (gain)/loss	217.61	579.07
● Past service cost	-	73.42
● (Shortfall)/excess of fair value over book value of plan assets - incremental	(29.63)	(28.12)
● Excess of book value of plan assets over present value of obligation-incremental/(decremental)	-	(0.86)
● Total	600.90	895.52

I) Experience Adjustments

Particulars	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11	31-Mar-12
Defined benefit obligation	3171.82	3827.40	4226.99	5066.53	5706.66
Plan assets	2537.68	3200.57	3937.27	4204.58	5133.05
Surplus/(Deficit)	(634.14)	(626.83)	(289.72)	(861.95)	(573.61)
Experience adjustment on plan liabilities	312.68	316.68	498.60	605.28	476.80
Experience adjustment on plan assets	(21.94)	117.88	66.45	56.33	167.08

41. (a) Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:

Particulars	As at March 31,2012		As at March 31,2011	
	Amount in foreign Currency (lacs)	Amount in Rs. lacs	Amount in foreign Currency (lacs)	Amount in Rs. lacs
Loan funds	580.46 USD	29911.76	444.62 USD	20083.46
Sundry debtors	27.61 USD 0.01 EURO 6.29 GBP	1400.10 0.62 507.98	80.89 USD 0.02 EURO 4.36 GBP	3580.19 1.24 307.77
Current liabilities and provisions	41.37 USD 8.69 EURO 0.152 GBP 0.017 CHF 0.01 SGD	2131.80 600.01 12.55 0.99 0.61	23.33 USD 5.12 EURO 0.62 GBP 0.11 CHF -	1053.82 327.09 44.95 5.26 -

(b) Derivative instrument outstanding as at year end:

Currency option and interest rate swap
to hedge exposure in foreign currency
loan and interest thereon

51573 JPY 29515.93 42926 JPY 20083.46



GODFREY PHILLIPS
INDIA LIMITED

42. The details of subsidiary companies as at March, 31 2012, considered in the preparation of Consolidated Financial Statements are as under:

Particulars	International Tobacco Company Limited	Chase Investments Limited	Kashyap Metal and Allied Industries Limited	Unique Space Developers Limited	Gopal Krishna Infrastructure & Real Estate Limited	Rajputana Infrastructure Corporate Limited
Share Capital	300.00	280.45	7.70	81.96	5.00	5.00
Reserves	4,117.41	586.61	592.97	(6.77)	(2.40)	3.16
Other Liabilities	1,027.28	0.39	1,951.62	0.06	0.07	2,320.08
Total Liabilities	5,444.69	867.45	2,552.29	75.25	2.67	2,328.24
Total Assets	5,444.69	867.45	2,552.29	75.25	2.67	2,328.24
Investments (other than in Subsidiaries)	-	611.13	208.01	-	-	-
Turnover/Total Income	4,400.68	19.95	20.20	4.03	0.04	0.21
Profit/(loss) before tax	63.28	9.85	(83.27)	1.34	(0.08)	0.10
Less: Provision for tax	36.24	0.12	-	1.10	-	0.03
Profit/(loss) after tax	27.04	9.73	(83.27)	0.24	(0.08)	0.07
Proposed Dividend	-	-	-	-	-	-

43. The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified, wherever considered necessary to conform to the current year's classification/disclosure.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

SUNIL AGRAWAL
Chief Financial Officer

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

Place : New Delhi
Date : May 29, 2012

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH

Directors

Godfrey Phillips India Limited

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Tel: +91 11 -2683 2155, 2683 6468. Fax: +91 11-2684 0775, 2683 5803

Registered Office: Godfrey Phillips India Limited, Chakala, Andheri East, Mumbai- 400 099.
For more information, log on to www.godfreyphillips.com